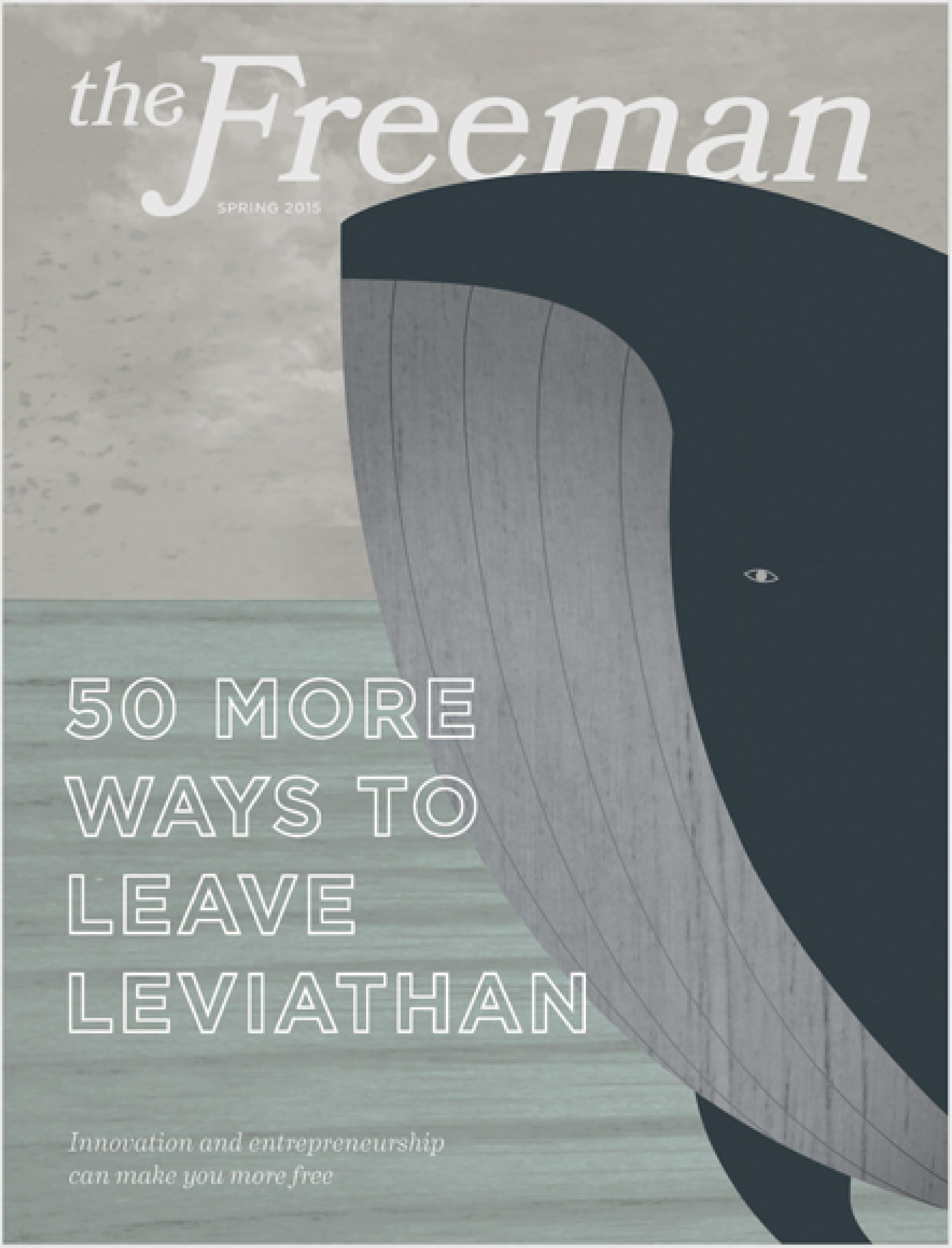
the Freeman
SPRING 2015
50 MORE WAYS TO LEAVE LEVIATHAN
Innovation and entrepreneurship
can make you more free

The Freeman: Spring 2015

Jeffrey A. Tucker
Max Borders
Nicole Kardell
Jenna Robinson
Corey Iacono
Sandy Ikeda
The Freeman
Douglas French
James Grant
B.K. Marcus
and
Richard Lorenc

FEE

FEE's mission is to inspire, educate, and connect future leaders with the economic, ethical, and legal principles of a free society.

Find us online at:
FEE.org
Facebook.com/FEEonline
Twitter.com/FEEonline (@feeonline)

Contact us directly at: 1-800-960-4FEE (4333)

Foundation for Economic Education
1718 Peachtree St. NW, Suite 1048
Atlanta, GA 30309

Produced by
MiceEatCheese.co

Published by
Benjamin Tucker Institute, z.s.

Contents

The economic way of thinking requires looking at the incentives, not banning the consequences.

Biting the Invisible Hand: An Interview with Peter Foster

Foster explains the psychology of anti-capitalism
FEBRUARY 02, 2015 by The Freeman
"Anti-capitalist sentiment is a combination of economic misunderstanding, moral condemnation, and political exploitation," Foster explains.

What Economic Elites Don’t Want You to Know about Crashes

A 1921 event will change your understanding of depressions
FEBRUARY 05, 2015 by Douglas French, James Grant
Jim Grant chronicles how the market works marvels if left alone.

Too Dumb for Democracy?

Global ignorance vs. local knowledge
NOVEMBER 17, 2014 by B.K. Marcus
Mass ignorance about an increasingly complex world is a fact of life. And yet we're all supposed to make decisions on matters about which we know little to nothing. It's called democracy.

5 Priceless Tips I Gave My Uber Driver

Big ideas most people don’t understand about the economy
DECEMBER 03, 2014 by Richard Lorenc
My Uber driver recently asked me to offer some economic education on the fly. I came up with five big ideas.

Fifty More Ways to Leave Leviathan

Innovation and entrepreneurship can make you freer

DECEMBER 09, 2014 by Jeffrey A. Tucker, Max Borders

It's been over a year since we published "50 Ways to Leave Leviathan." That successful piece showed how innovation and entrepreneurship are gradually undermining the top-down, command-and-control approach to governance.

It is happening quickly by any historical standard, but it is also happening incrementally in ways that cause us not to notice. The bigger the pattern, the more slowly we tend to recognize it. The bigger the implication, the more resistant we are to acknowledging it.

We even take it all for granted. In reality, the ground is shifting beneath our feet. Those in power feel it, and it scares them. The innovation can be slowed, but it can't be stopped, much less reversed. This great transformation is already underway.

The theme, as always, is human freedom, which is the insuppressible urge within all of us to live full and ever more prosperous lives, regardless of the barriers put in the way.

Here are 50 more ways to leave Leviathan. Each one is worthy of a separate article and analysis, but assembling them this way shows how one paradigm of social and economic organization is crumbling and another is taking its place. The unrelenting power and energy behind these innovations and workarounds are making the old models of social organization obsolete.

1. Become an e-resident of Estonia. Estonia was once an unwilling satellite of the Soviet socialist empire. Today, the country is leading the way toward the breakdown of nation-based political organization, especially with its new e-resident program. Anyone can become a resident for $61. What can you do with that? Well, you get a cool card, and there might be some business and banking benefits. No one knows for sure, not even those who champion the program. But it’s a step in the right direction. Digital residency might mean more than physical residency in the world of the future.

2. Skip licensing with TaskRabbit. Occupational licensing is one of the dumbest ideas ever, a real holdover from 18th-century mercantilism. Why must we create a state-protected cartel for every task? Well, TaskRabbit is helping to bust them all up with a system for connecting service providers with service seekers. Know how to fix a sink or need one fixed — or hundreds of thousands of other tasks? Get connected in minutes. So much for the gatekeeping monopolists who stand between us and our needs.

3. Get anything delivered with WunWun. When you need a government service, you get it on their terms. More and more, when you need anything else, it will come to you. WunWun is fairly new and only operates in New York and San Francisco, but you can see where this idea is headed. Click a button on an app and, if it can be brought to you on a bicycle, it will be there in no time. You pay with a credit card. This service is going viral, and paying with cryptocurrency will be an option.

4. Hire or be hired with oDesk. In the old days, getting a job meant impressing a company enough to take you on long term. But in the digital age, anyone can work for or with anyone else, and oDesk is one of hundreds of platforms that make this possible. Freelancing was once the exception, but with government rules and mandates making conventions less viable, millions are turning to task-based employment. Work for whomever you want, whenever you want. It’s a great way to overcome the barriers of the regulatory state.

5. Moonlight with eLance. If you have a skill and a job, but government regulations limit you to 30 or 40 hours of work per week, you can still put those nights and weekends to productive use. Many services, such as eLance, allow you to pick up extra cash without checking with the central authorities. It is completely beyond the capacity of the Department of Labor to monitor this type of work. They call it "exploitation," but we all know it’s just a matter of making ends meet.

6. Foil the revenue cops with Fixed.com. Since the financial crisis of 2008, local governments have been hurting for revenue, so they unleashed the cops to bring in the money. This is one major reason why nearly everyone feels oppressed by the police these days. But the app economy has come to the rescue. Scan your ticket and submit, and a local attorney will push for dismissal. The fee you pay is a fraction of what the government demands. For now, it's mostly a San Francisco service, but it will soon expand.

7. Put that car to use with Getaround. You have to get somewhere, but it is not always easy because government transit systems are so terrible. Now there is a way to share your car with others and make money at the same time. This app, one of many such services, allows you to rent a nearby car for the day, putting idle resources to work without crazy government mandates for carpooling and public transport. It's the market at work fixing yet another big problem.

8. Your house becomes a restaurant with EatWith. Why should the regulators say what is and what isn't a restaurant? If you have a kitchen or an appetite, there are others who might want to make an exchange with you. Such services are busy every day busting up the eating cartels. They are also helping to bring back the dinner party.

9. Get a business loan at the Funding Circle. The Fed broke the banking system in 2008 with its crazy bailouts and zero-interest-rate policies. It is not a reliable source for doing what banks have always done to make money. But the private sector has come to the rescue with online sources for business loans. The interest on such loans is market based, revealing the weird world we have today with regard to interest: there's the official rate, and then there's the real rate.

10. Monitor overlords with copblocking. It's become a thing now that the police are filmed by regular citizens all across the United States and the world. Ten years ago, filming a cop might have gotten you arrested. Today, there is nothing they can do about it, since everyone carries a video maker in her pocket. Filming is not a perfect solution, but it sure makes the cops more accountable. Livestreaming means that the video is still out there even if your phone is confiscated or smashed. Copblocking has become a way of life.

11. Try mobile health care. Time was when health care came to you. As the industry became more cartelized and expensive, the industry dictated the terms and you had to go to them. But regulations have pushed matters so far that the system is breaking down, and many providers are seceding toward a consumer-driven model. Even companies like Uber are looking into putting doctors and nurses on wheels. Such services will only be for the well-to-do — for now. But just as mobile phones got better, faster, and cheaper, so will health care delivery. Mobile health care startups are already attracting a lot of venture capital. First up: Uber for hangovers. (Note: Uber Logistics is coming soon.)

12. Get married on the blockchain. Marriage before the 20th century could be a purely private affair between individuals or within religious institutions. States took over marriage in the 20th century with licenses and strictures everywhere. There's no better way to depoliticize this institution than finding another way to contract a marriage besides going to the State. The blockchain — bitcoin's payment system — is perfect for posting contracts that are time-stamped, nonforgeable, and verified. Why not let it be the way out of State-controlled marriage? (See Bitnation.)

13. Use blockchain contracting. People who love the distributed ledger have counted fully 84 possible uses of the blockchain for keeping all kinds of records and contracts, including public and private equities, bonds, spending records, crowdfunding, microfinance, land titles, health records, forensic evidence, birth certificates, wills, trusts, escrow, business accounting, and just about anything else that involves contracts. This is serious future stuff: a fully functioning body of law in the cloud that works without lawmakers or bureaucrats.

14. Manage transactions with Counterparty. Let's say you have an idea for a legal institution that isn't yet available, or you want to pioneer a new system for business-to-business exchanges and invoicing. There are at least two well-funded platforms that specialize in innovation on distributed networks: Ethereum and Counterparty. They are busy working (in private) with some very large companies right now. Private, lower-cost alternatives to government are on the way.

15. Encrypt your smartphone data. Ever since people became aware that government is using surveillance to track our every online move and every phone call, people have demanded solutions. Apple was the first to act to encrypt all smartphone data to the point that not even the company itself can access it (iOS8). The same change is being made to the Android operating system. The FBI went nuts and denounced this encryption, but it's too late. Users feel safer, and there's no going back.

16. Buy and sell through Open Bazaar. Last year, the government took down the Silk Road online marketplace, seemingly ending a peaceful solution to the violence of the drug trade. Several more sites popped up to take its place, but the ultimate solution lies with a distributed network with no central point of failure. This is what the company Open Bazaar is doing. It will be a marketplace that anyone can download and implement. It lives on a network too diffuse to be dissolved. And it is designed for bitcoin.

17. Use tax preparation software. It is nearly beyond the capacity of mere mortals to prepare taxes by hand these days, but software has come to the rescue. There are so many packages available that put the power of a huge team of accountants in the hands of every person, and at a very low price. It's amazing to see how the private sector has managed to save us time and money in this most arduous task.

18. Ditch school and go Praxis. Everyone knows there is a huge college bubble developing, with debt and costs exploding. The question has been: what will replace the traditional path to higher education? Innovative alternatives combine work and study into affordable one-year programs that bypass traditional college entirely. The student integrates into a commercial space and thereby completes the program having obtained actual, valuable skills. That's a massive change for the better.

19. Enjoy pot legally. Forty years ago, Richard Nixon started a war on pot as a political maneuver. It boosted his credibility and attacked his enemies. Sadly, tens of millions of innocent people have been abused and caged as a result. But the public isn't standing for it anymore. States and cities are decriminalizing it all over the country in response to noncompliance and voter revolt. Nearly half the states have liberalized. Only the South remains to act in some form. It's a beautiful thing to see freedom from the drug war dawning at last.

20. Build your car from a kit. Federal regulations have made a mess of car coolness over the years, mandating higher hoods and trunks and dramatically reducing visibility thanks to safety standards (even as fuel economy mandates lighter cars). Whatever happened to the car of the future that looked sleek and amazing, like an arrowhead? Well, there is a loophole: you can build your own. This is what FactoryFive allows you to do. How satisfying to drive an embodiment of the rebellious spirit!

21. Become a homebrewer. It's seems incredible that the United States once banned the production and distribution of alcohol by constitutional amendment. Talk about nuts! Prohibition was repealed in 1932, but the prohibitionist mindset is still with us. That hasn't stopped the homebrewing of beer from taking off in a dramatic national trend, however. The craft-brew movement started with a guy working in his basement. It's now a large commercial industry to supply enthusiasts. Be your own bootlegger.

22. Contribute to community charity online. The rap about capitalism is that it's all about greed. That's nonsense. A major employment of capitalist tools has been the building of huge community-based networks of philanthropy. Through sites like Groupon Grassroots, you can now support a large variety of meritorious projects right in your own neighborhood. Charity has never been more networked and effective as compared with tax-funded transfer payments.

23. Grow plants from open-source seeds. Since the movie *Food, Inc.*, the public has been widely and rightly upset about patented seeds. Seed patents conflict with 6,000 years of agricultural practice in which people save and share seeds. The Open Source Seed Initiative is fighting back against government-protected monopolists by producing excellent seeds for sharing around the world. It’s the application of the most successful software model to the practice of growing food. No government agents or crony thugs involved.

24. Live in a tiny house. Since at least the 1920s, the American dream has been all about home ownership — and the bigger, the better. Bankers loved it and so did government, which subsidized the trend for the rest of the century. Then the system exploded in 2008. Today, people are busy rethinking, and one result is the tiny house movement. Tiny houses are affordable, easy to keep up, and allow for flexible and light living. They’re also illegal in most municipalities, but thankfully they can also be mobile.

25. Sip ayahuasca tea from abroad. Native populations of South America have used the herb ayahuasca for centuries as a natural hallucinogen. They say it makes profound spiritual revelations possible. Maybe. But whatever: the drug warriors hate it. That hasn’t stopped the development of an active market for spiritual tourism and for acquiring ayahuasca teas from abroad. Nothing can stop the forces of supply and demand.

26. Attend Voice & Exit. This festival of the future is poised to give TED a run for its money. The idea — the human algorithm — is about abandoning systems that are no longer working and starting new systems (in the spirit of this article). “Exiters” flock to the event each year to celebrate human flourishing, and there will soon be events in multiple cities. The founders are proud of their post-partisan ethos and welcome people from all backgrounds. But the focus is on celebrating voluntary solutions to improving oneself, one's community, and the world. (Disclosure: Max Borders is a Voice & Exit cofounder.)

27. Drink butter coffee. How could something so simple and wonderful elude us for so long? The trend to mix butter and coffee underscores how brilliance and innovation need not involve complex technology. It only requires insight. When you embrace butter coffee, you are leaving that state-perpetuated myth that fats found in butter are unhealthy. It took a peer-to-peer network of ancestral health practitioners to bring down the anti-fat propagandists and scientific “experts” a peg or two.

28. Be a fully informed juror. It’s the traditional right of juries to judge not only the defendant's guilt or innocence but also the law under which he or she is charged. But jurors are rarely told that. Sometimes, however, their conscience guides them in the right way, as with many recent marijuana cases. There are hundreds of documented cases in which juries have simply refused to convict regardless of evidence. Prosecutors have become discouraged at even finding jurors, so they shelve the cases. The FIJA is doing heavy educational lifting here.

29. Hire a virtual assistant. Minimum wage laws and other regulations mean it’s too expensive to hire assistants the way people once did. That’s tragic. But technology finds a way. You can hire an assistant online without having to fork over the big bucks for benefits, health insurance, and unemployment insurance. They work through email, Google hangouts, Skype, and other conferencing systems. And you can find them at sites like Brickwork.

30. Eat grass-fed beef. Government apparently wants all edible animals stuffed with corn — because the corn lobby remains one of the most powerful in Washington. But not all consumers are going for it. They are finding ways to import grass-fed beef and even to do ranching their own way. Food innovations such as these can’t be stopped, no matter how many agents the feds send out to arrest the supposed bad guys. Rogue farming and ranching are on the rise.

31. Read or publish an eBook. Time was when only the rich could afford home libraries. They were treasures, more valuable than houses and the land they sat on. It was only in the 20th century that home libraries became common. In the 21st century, anyone with a cheap e-reader can download hundreds of thousands of books at no cost. It’s a breathtaking development, and yet how many of us take all this knowledge for granted?

Every dystopian novel features a world of censorship. That world is impossible today.

32. Participate in Liberty.me. The ideas of liberty have always needed an action plan, something besides begging the people in power to recognize human rights and liberties. Now there is a global liberty community that provides discussions, libraries, friendship, and turnkey publishing, effectively crowdsourcing the building of liberty. It's a community for doers, not just dreamers, and it's made possible entirely through digital media. (Disclosure: Jeffrey Tucker is the founder.)

33. Benefit from drones. Two years ago, the word "drone" was synonymous with US imperialism and murders abroad. Then the private sector got involved, and drones are now used for humane purposes such as delivering groceries and other products. Amazon Prime Air is the pioneer here, but it is not difficult to imagine these glorious machines flying all over the airspace in a way that serves people, getting them what they need or want in a way they want it. That even includes beer, except that the FDA shut this service down. For now.

34. Use multisig. Bitcoin can brag of its peer-to-peer structure, but what if you want more than one party around to execute a transaction? For example, business partners need to all be involved in decision making. Another example is a bequest: the beneficiary needs access. Twelve months ago, multisig seemed like a dream. Now, it's a reality. All the main exchanges offer multisignature interfaces. You can have many people involved in making a transaction now, potentially hundreds. This is the ultimate in customizable payment and money systems.

35. Stream your music. Some readers might remember meandering through record stores looking for "long-playing" records. Then came eight-tracks. Then came cassettes. Then came CDs, and they were amazing. But they didn't last long. The world became fully digitized with the iPod and MP3s. But that didn't last long, either. Just within the last 12 months, we've seen miracles happen. Infinite libraries of thousands of years of music are now available for low fees, via tiny devices, at sites like Spotify, Pandora, Google Play, and hundreds of others. You can listen to anything, anytime, anywhere. It's mind-boggling, and it makes a mockery of regulatory attempts to control technology and the arts.

36. View nanoscale lithography. Copyright is pretty weird, forbidding reproduction of an "owned" image or text without specifying the medium or scale. What if you take a giant picture and reduce it to microscopic size and embed it in another piece of art? Is that infringement? One artist decided to test the notion. How absurd can copyright enforcement be? The result is “When Art Exceeds Perception,” an exhibition of art at Cornell University. The reproductions can’t be seen by the naked eye, but the copyright holder is still objecting, which is, as it turns out, part of the art itself.

37. Be your own quant. Ten years ago, there was an emerging hysteria about how “quants” — super-smart number crunchers with private knowledge — were ruling the financial space, edging out individual investors and even medium-sized institutions. They were rigging the game and grabbing all available profits for themselves. Today, the same and better knowledge is being democratized with such services as Kensho, which is bringing quant-style power to every investor and institution, essentially running a Google-style search feature for investments. So much for the monopoly. The market's tendency is to distribute valuable information.

38. Skip the student loans. A key problem with government loans is that they are not creative. Students rack up debt and find their careers hobbled for years. What if there were a different way? Lumni suggests this: they will pay for your education and, in return, you give a percentage of your income back after you get your paying job. It’s not a loan; it’s an investment — or a form of seed funding. It’s flexible, and the company benefits from your later performance. Now *that’s* creative.

39. Write a judge at a sentencing hearing. No one wants a case to go to trial anymore, not defenders and not prosecutors. It makes sense: courts are broken beyond repair. Sadly, this means that many innocent people plead guilty just to break free of the system. But there’s still the sentencing, and the judge has massive discretion. Your letters on behalf of the defendant can and do make a huge difference. They should be personal and authentic. Your plea for leniency can keep one good person out of a cage.

40. Learn anything. Online learning used to be a novelty. Then it started becoming mainstream and comprehensive. Today, it is exploding beyond belief. Here is a site that offers 100 other sites that teach just about anything you could ever want to know. And the crazy-great Khan Academy isn’t even listed. It boggles the mind to consider that there was a time when government imagined that it could control what we learn.

41. Transfer money ridiculously cheaply. Life was proceeding normally, then suddenly an $80,000,000 transaction floated across the

Blockchain. As always, the money moved, completely and wholly and fully verified, within minutes, unlike a bank transfer or a credit card transaction. But here's the kicker: the transaction only cost $0.04! That's a savings of $2 million from what any other form of moving that sum would take. To anyone but the government, that's serious money. Can Bitcoin break the network effect of nationalized money? Absolutely.

42. Remit money cheaper. Banks and wiring companies are charging too much money for people to send money home — mainly to poor countries. But remittances are about to get a lot cheaper. Companies like TransferWise, Moni Technologies, and WorldRemit are competing, paradoxically, to keep more money in the hands of people in the developing world.

43. Start a podcast. Podcasts are old school, but in this world of nonstop surprises, that doesn't make them outmoded. They are more popular than ever before, and ever easier to start. This makes sense, given the growing length of commutes and people's desire to gather interesting information — and to know what's true. At the height of State power in the 20th century, the State controlled all information flows. Now, anyone can start a fireside chat with the world. The monopoly of information is ruined.

44. Make a movie. Five years ago, people were still buying camcorders. They were expensive and not that effective. They were a vast improvement over the on-shoulder models from 20 years earlier. But today? Everyone with a smartphone carries a movie maker in his or her pocket. Anything and everything can be streamed, and the competition has caused movie quality to soar. Plus, there are no more secrets in public spaces, and this has to be a good thing for human freedom, given that the State has lived on hiding its deeds from public notice for, well, thousands of years.

45. Get a Fiverr. Maybe you want to send a customized Christmas song. Maybe you need a new logo for a blog. How about a custom shirt design or a new stamp for your business? All of this can be done for five bucks. That's right, a full website that is offering P2P services that used to cost hundreds or thousands of dollars. It's all voluntary and everyone wins. How can you not come away with a smile? Note that the prices of state services are forever rising while the private sector is forever driving them down.

46. Pay with dogecoin. This "alt-coin" — a spin-off cryptocurrency — started as a ridiculous joke. It was an Internet meme of a Shiba dog looking oddly smart and sweet. Nothing more. The image was slapped on a cybercurrency on its own blockchain, just to show that it could be done. And then it took off like a rocket. Everyone laughed until it became real. Today, dogecoin is the number three most-capitalized cryptomoney, after litecoin and bitcoin. It's also fun to mine and ridiculously plentiful. Sure, it could crash, like so many others. But while it lasts, it teaches us a lesson: there is value in Internet fashions. It's all subjective.

47. Partake in the Creative Commons. Not every government imposition on market institutions allows for a way out. But in the case of copyright — a regulatory intervention that has become a major source of mischief in the digital age — Creative Commons is the answer that freedom-lovers can embrace. FEE founder Leonard Read pioneered this approach in the late 1940s, long before people even questioned copyright. FEE in 2014 has gone all the way by putting all its content in the commons with no restrictions. Goodbye censors. (Note that CC offers many varieties of licenses, and some are even more restrictive than government copyright.)

48. Tsu me. There are hundreds of social networks today, and one really big one. How long can that last? A site called Tsu.co opened in October and, within only a few weeks, it rocketed to the top of all site rankings. The move has been so fast that plugins haven't caught up to it yet. Yes, the new social network learns (steals) from Facebook in lots of ways. But that's the way the market works: the experience of one company becomes a collective good that everyone can try out — and then improve on. No one stays on top forever. Just ask MySpace.

49. GetGems. Instant messaging is still the thing, but what if it lived on a distributed network with no central control that also allowed instant currency exchanges at near-zero cost? That's what going on at GetGems. It's some pretty edgy stuff, but remember: these are the early days of such innovations. No one can prevent us from talking to each other — or exchanging with each other — in whatever way we choose. (See also other forms of crypto-texting.)

50. Buy your own kingdom. An art teacher in Portugal had a snappy idea: buy an island off the coast of Madeira. Then he had an even better idea: turn it into his own kingdom. That's what he did, and he calls it the Principality of Pontinha. Earlier last year, there was talk of selling the Belle Isle section of Detroit. Wonderful. Even better: just sell all unowned and state-owned things and privatize the world.

The planners thought they had it all sewn up. None of these innovations was part of their plan. This is a snapshot in time, a glimpse of the dawn of something new and unexpected. We can only hope that by next year, this list will seem dated, even anachronistic.

Edward Snowden described the NSA, a well-funded government bureaucracy, building an “architecture of oppression.” But the ideas presented here show something very different being constructed. Call it a latticework of liberty, or maybe a fractal of freedom. Whatever it is, its fronds unfurl and spread into the spaces left by the State. And the State always leaves spaces.

As they say in *The Hunger Games*, every system has a flaw. It’s genius to find it and exploit it and bring about something new. Dramatic social and economic change is not flowing from policy circles in Washington, DC. This is not top-down reform. It’s happening despite and not because of political trends.

This list is also evidence that high theoretical arguments over the precise structure freedom should and must take are beside the point. We have to wait to see for ourselves, and, meanwhile, the real problem is power itself.

This “50 ways” phenomenon is the mechanism by which humanity evolves away from power and toward peaceful, voluntary cooperation. How far can we take it? Who knows? But erecting utopias in our heads is not nearly as useful as contributing to this latticework. You can hate the state and its works, but doing something about it requires that we devise and use more ways to hasten its obsolescence.

This is our challenge. This is our charge.

You’ll Never Guess Who’s Trying to Hack Your iPhone

Hint: It rhymes with Eff Bee Eye

JANUARY 20, 2015 by Nicole Kardell

The FBI wants to search through your electronic life. You may think it’s a given that the government is in the business of collecting everyone’s personal data — Big Brother run amok in defiance of the Constitution. But under the limits of the Fourth Amendment, nothing it finds can be used to prosecute its targets. Now the FBI is taking steps to carry out broad searches and data collection under the color of authority, making all of us more vulnerable to “fishing expeditions.”

The investigative arm of the Department of Justice is attempting to short-circuit the legal checks of the Fourth Amendment by requesting a change in the Federal Rules of Criminal Procedure. These procedural rules dictate how law enforcement agencies must conduct criminal prosecutions, from investigation to trial. Any deviations from the rules can have serious consequences, including dismissal of a case. The specific rule the FBI is targeting outlines the terms for obtaining a search warrant.

It’s called Federal Rule 41(b), and the requested change would allow law enforcement to obtain a warrant to search electronic data without providing any specific details as long as the target computer location has been hidden through a technical tool like Tor or a virtual private network. It would also allow nonspecific search warrants where computers have been intentionally damaged (such as through botnets, but also through common malware and viruses) and are in five or more separate federal judicial districts. Furthermore, the provision would allow investigators to seize electronically stored information regardless of whether that information is stored inside or outside the court’s jurisdiction.

The change may sound like a technical tweak, but it is a big leap from current procedure. As it stands, Rule 41(b) only allows (with few exceptions) a court to issue a warrant for people or property within that court's district. The federal rules impose this location limitation — along with requirements that the agent *specifically* identify the person and place to be searched, find probable cause, and meet other limiting factors — to reduce the impact an investigation could have on people's right to privacy. Now the FBI is asking for the authority to hack into and search devices without identifying *any* of the essential whos, whats, wheres, or whys — giving the FBI the authority to search your computer, tablet, or smartphone even if you are in no way suspected of a crime.

All you have to do is cross the FBI's virtual path. For instance, the proposed amendment would mean that agents could use tactics like creating online "watering holes" to attract their targets. Anyone who clicked on law enforcement's false-front website would download the government malware and expose their electronic device to an agent's search (and also expose the device to follow-on hackers). One obvious target for this strategy is any forum that attracts government skeptics and dissenters — FEE.org, for example. Such tactics could inadvertently impact thousands of people who aren't investigation targets.

This sort of sweeping authority is in obvious conflict with the Constitution. The Fourth Amendment makes it clear that the government cannot legally search your house or your personal effects, including your electronic devices, without (1) probable cause of a suspected crime (2) defined in a legal document (generally, a search warrant issued by a judge) (3) that *specifically* identifies what is to be searched and what is to be seized.

The FBI is not the first government agency to find itself challenged by the plain language of the Fourth Amendment. Past overreach has required judges and Congress to clarify what constitutes a legal search and seizure in particular contexts. In the 1960s, when electronic eavesdropping (via wiretaps and bugs) came about, Congress established the Omnibus Crime Control and Safe Streets Act of 1968 (the Wiretap Act). The law addressed concerns about these new surreptitious and invasive investigative tactics and provided several strictures on legal searches via wiretap or bug. Since covert investigative tools can be hard to detect, it was important to institute more rigorous standards to keep agents in line.

The same concerns that Congress addressed in the 1960s are present today, but they take on far greater significance. With our growing reliance on electronic devices to communicate with others, to transact business, to shop, travel, date, and store the details of our private lives, these devices are becoming our most important personal effects. The ability of government actors to enter our digital space and search our electronic data is a major privacy concern that must be checked by Fourth Amendment standards. As the Supreme Court recently pronounced in *Riley v. California*, the search of a modern electronic device such as a smartphone or computer is more intrusive to privacy than even "the most exhaustive search of a house."

What seems most troubling, though, is that the FBI is attempting to override the Fourth Amendment, along with the body of law developed over the years to reign in surveillance powers, through a relatively obscure forum. Instead of seeking congressional authority or judicial clarification, it has sought a major power grab through a procedural rule *tweak* — a tweak that would do away with jurisdictional limitations and specificity requirements, among other important checks on law enforcement. The request seems objectively — and constitutionally — offensive.

Little Boxes

Tiny houses, entrepreneurship, and regulation

DECEMBER 22, 2014 by Jenna Robinson

Tiny houses are all the rage. They attract environmentalists, adventurers, and scrooges alike, by offering their owners sustainability, mobility, and debt-free living. But tiny homes are often illegal.

While new homes in the United States now average 2,600 square feet, tiny houses can be as small as 100 square feet. And they're gaining in popularity. Tiny houses are cropping up in urban alleyways in progressive communities like Portland, Seattle, and Washington, DC. In July 2014, the television show *Tiny House Nation* debuted on FYI. And the Tiny House Conference will hold its second annual meeting in April 2015.

Tiny solutions for large problems

The tiny house movement may be a countercultural trend, but it's more than just a fad. Tiny homes are popular because they offer entrepreneurial solutions to serious social problems.

In urban neighborhoods where housing is hard to find — or too expensive — a tiny house can be a solution. Social entrepreneurs are making plans across the country. In Boise, a nonprofit called Idaho Tiny Houses plans to help families in need to build their own 200-square-foot homes. Their business model calls for selling tiny homes at market value, then using the profits to pay for the cost of building for homeless families. And in Sonoma, California, the founder of Four Lights Tiny House Company is planning a tiny home co-op, where residents will own separate tiny houses but share amenities. The goal is to create an example of "responsible, affordable, and desirable" tiny housing.

Likewise, tiny, ecohomes can work on lots where there is no city water or sewer and no electricity. Because of their small footprints, tiny homes can be powered with a relatively inexpensive solar array. They often also use wood or propane stoves for heating and cooking and fans or passive cooling techniques instead of air conditioning. Water can come from cistern tanks or a well. And the use of gray water, rain barrels, and composting toilets decreases water use.

These features make tiny homes appealing for both environmental and economic reasons. With a moderate initial investment, the monthly cost of utilities for a tiny house is $0. Tiny homes are also cheaper to build than the average American home. Most cost between $20,000 and $50,000. But some creative do-it-yourself aficionados have built homes for as little as $2,000.

Unlike traditional houses, you can take your tiny house with you. Most tiny homes are built on 8' x 20' trailers; legally, they're RVs, not houses. But that means tiny houses can be an alternative to renting for cost-conscious young people who move often to chase economic opportunity. With a tiny house, there's no landlord, no shared walls, and no rent check to write each month. Most importantly, there's no debt.

Big trouble in little housing

But local ordinances and the nation's tax code stand in the way. Building a tiny house is often illegal. Finding a place to park one is fraught with difficulty. And federal housing and tax policy favors large homes and mortgages.

Local land use and building codes are often the most difficult obstacles to building tiny. According to the American Planning Association, "the power of communities to regulate the use, height, coverage and setback of buildings and the density of residential development is firmly established by law."

Municipalities also regulate minimum lot sizes and minimum dwelling sizes. And entrenched interests mean that change is not easy. In San Francisco, where housing is notoriously scarce and expensive, developers tried to build 150-square-foot efficiency apartments but met opposition from the city council. Spur, Texas, might be the only place in the United States to allow detached homes smaller than 500 square feet — the city council passed a resolution permitting them just months ago.

Some cities even ban detached backyard cottages or "granny apartments." In Raleigh, North Carolina, such backyard dwellings have been illegal for decades. When the city considered lifting the ban in 2013, opponents claimed that allowing backyard cottages would be an invitation to create "slumlord kingdoms." The NIMBY crowd also complained that adding potential rental property to a neighborhood could drive down home values.

Because of the prevalence of this kind of ban, many owners of tiny homes choose to build their homes on mobile foundations. The Tumbleweed Tiny House Company sells plans for homes designed to be built on trailers less than eight feet wide. But parking can still be a hassle. Some mobile home and RV parks allow tiny home parking, but many owners of tiny homes park on land owned by friends or relatives.

Not only do local ordinances make living small difficult; federal policies push would-be homeowners in the other direction. The mortgage-interest deduction doesn't apply to houses built on trailers, even when they are the owner's primary residence. Even if it did, the amount of the deduction would be less than a single filer's standard deduction. In that way, the government not so subtly incentivizes the purchase of larger, more expensive homes.

Moreover, the 1933 Home Owners Loan Corporation (part of the New Deal) and the 1934 National Housing Act created funding preferences for larger homes. These standards were reinforced by the 1935 Federal Housing Administration (FHA) building codes and the 1938 FHA underwriting manual. The FHA implied that it would "conditionally commit" to underwriting mortgages for the new, larger houses. (At new, larger prices, of course!)

If allowed to flourish, the tiny house movement could be a boon to society by offering less debt, more mobility, and more creative solutions to housing problems. But for those entrepreneurial solutions to really take off, government must get out of the way.

5 More Economic Myths That Just Won't Die

Another dose of data from free-market reality

NOVEMBER 19, 2014 by Corey Iacono

Still seeing Internet memes that get economics painfully wrong? Often, the same anti-market assertions get repeated enough that they are taken as true. Unfortunately, these myths are much older than the Internet.

The digital age offers greater exposure for the falsehoods, but it also gives us a more powerful tool to counter the claims with a dose of economic literacy. Basic economic theory is enough to undo most of the disinformation, but sometimes people need to see the data before they're willing to open their minds to the economic way of thinking.

My previous *Freeman* article "5 Economic Myths That Just Won't Die" barely scratched the surface. Here are five more assertions of "common knowledge" that the empirical evidence shows to be untrue.

Myth 1: Immigrants take American jobs and reduce American wages.

Contrary to the conventional wisdom, which asserts that immigrants reduce wages, research on US immigration published by the National Bureau of Economic Research (NBER) has shown that "immigration has a positive net effect on native employment." A study published by German economists on immigration in wealthy countries has shown that immigrants have a "positive impact on GDP per capita and a negative impact on aggregate unemployment, [as well as on] native and foreign born unemployment rates." According to a review of the empirical evidence on immigration and American wages published by the Brookings Institution,

> Economists find that, on average, previous waves of immigrants [have] tended to boost American wages. In fact, studies have shown that immigration has caused small but positive gains in wages of American-born workers of between 0.1 percent and 0.6 percent between 1990 and 2006.

Many claim that immigrants come to the host country to take advantage of welfare benefits, ultimately costing the government a fortune. However, a Harvard University review of the empirical evidence on the economic impacts of immigration found that "on average, immigrants appear to have a minor positive net fiscal effect for host countries." To give a specific example, despite Sweden's extensive welfare state, a recent study found that the **net** fiscal contributions of Romanian and Bulgarian immigrants were "substantially positive."

Myth 2: Multinational corporations are shipping our jobs overseas.

This argument typically comes from the anti-globalization crowd. In their view, corporations ship American jobs overseas to countries where they can treat their workers like animals and pay them barely enough to live. The implication of such beliefs is that trade should be restricted for the benefit of both the foreign-born workers who are being exploited and the native workers who are having their jobs outsourced.

But this worldview is lacking one crucial component: evidence. Most people simply take it to be true that an American job shipped overseas is an American job lost and that multinational corporations exploit their workers. However, according to a study by the US International Trade Commission,

> Foreign affiliate employment in high-income countries is complementary with US parent employment (US employment in manufacturing is higher when foreign affiliate employment in high-income countries is higher); foreign affiliate employment in low-income countries seems to have no effect on US parent employment. This last point runs contrary to the claims of the opponents of offshoring that posit that jobs abroad replace jobs at home.

In other words, American multinational corporations that offshore jobs to their foreign affiliates aren't actually reducing their domestic employment.

Also, offshoring jobs to high-income countries is associated with an *increase* in employment in the domestic parent company. Other studies corroborate this finding. One review concluded, "The empirical evidence to date, while still tentative, actually suggests that increased employment in the overseas affiliates of US multinationals is associated with more employment in the US parent rather than less."

Furthermore, in regard to the claim that multinational corporations exploit their workers, a review of the evidence published by the NBER finds that

> As an empirical matter … there is virtually no careful and systematic evidence demonstrating that, as a generality, multinational firms adversely affect their workers.… In fact, there is a very large body of empirical evidence indicating the opposite is the case. Foreign ownership raises wages by both raising labor productivity and by expanding the scale of production, and, in the process, improves the conditions of work.

Opponents of globalization and freer trade often rely on their arguments being taken at face value, and when taken at face value their arguments are quite persuasive. However, the underlying assumptions of their arguments are demonstrably false.

Myth 3: Government spending and hiring alleviates unemployment.

Two economists from the University of Delaware, Burton Abrams and Siyan Wang, used data from 20 developed countries over three decades to examine how government spending as a share of GDP affects the unemployment rate (when accounting for other relevant factors). They found

> That increases in government outlays hamper economic growth and raise the unemployment rate. Moreover, different types of government outlays are found to have different effects on growth and unemployment, with transfers and subsidies having a larger effect than government purchases. In addition, Granger causality tests suggest unidirectional causation from government outlays to economic growth and the unemployment rate.

These findings are notable because they don't just establish a correlation; they use causality tests to find that government spending causes higher unemployment, not the other way around. Research by other economists arrives at similar results.

Moreover, scholars have examined the relationship between public employment and private employment. Using data from a sample of developed countries over the years 1960 to 2000, European researchers found, "On average, [the] creation of 100 public jobs may have eliminated about 150 private sector jobs, slightly decreased labour market participation, and increased by about 33 the number of unemployed workers."

And recent study by the International Monetary Fund comes to the following conclusions:

> High rates of public employment, which incur substantial fiscal costs, have a large negative impact on private employment rates and do not reduce overall unemployment rates … Public-sector hiring: (i) does not reduce unemployment, (ii) increases the fiscal burden, and (iii) inhibits long-term growth through reductions in private-sector employment.

All this evidence suggests that bigger government isn't the solution to persistent unemployment. In fact, there is reason to believe that bigger government results in undesirable employment outcomes.

Myth 4: "Conservative" economic policies lead to slower employment growth.

Recently, opponents of the free market have taken to social media to compare the high employment growth of California, a state that raised taxes, to the low employment growth of Kansas, a state that lowered taxes. However, they ignore that Kansas has an unemployment rate of less than 5 percent, whereas California's is 7.4 percent, one of the worst in the country. But besides that, these are cherry-picked statistics. One cannot determine the impact of a specific policy or policies on employment by using data from two states for only one year.

Luckily, researchers from the Federal Reserve have examined how "conservative" economic policies, which are actually classical liberal policies, affect employment growth. After controlling for around a dozen other confounding variables, the authors find that states with less government intrusion in the economy have faster employment growth. According to Thomas A. Garrett and Russell M. Rhine of the Research Division of the Federal Reserve Bank of St. Louis,

> States with greater economic freedom — defined as the protection of private property and private markets operating with minimal government interference — experienced greater rates of employment growth. In addition, we find that less restrictive state and national government labor market policies have the greatest impact on employment growth in US states.
>
> Further results suggest that labor market freedom and a smaller state government, which are two components of overall economic freedom, are important determinants of employment growth across US states.

On a similar note, economists Lauren Heller and Frank Stephenson examined data on the 50 states from 1981 through 2009. The authors found that, after accounting for other confounding factors, states with more economic freedom had lower unemployment, higher labor-force participation and higher employment-to-population ratios (the percentage of the working-age population that is employed).

Myth 5: Government spending is good for economic growth.

Research shows that in wealthy countries, further government spending leads to slower economic growth, even when the possibility of reverse causality is taken into account. A survey of the evidence on the subject undertaken by Swedish economists Andreas Bergh and Magnus Henrekson states, “The research is rather close to a consensus: the correlation [between government size and economic growth] is negative, and the sign seems not to be an unintended consequence of reverse causality.” And a World Bank study on the relationship between government and well-being in Europe concluded, “Make government more efficient, or make it smaller.”

It may be desirable for developing countries to limit the size of their governments as well. Research has shown that “important indicators of economic freedom such as openness to trade and small size of the government are robustly associated with poverty reduction.”

In 2013, economist Livio Di Matteo of the Fraser Institute, a Canadian think tank, published important research attempting to pinpoint the size of government (measured as government spending as a share of GDP) that maximizes economic growth. Using data from 70 countries over the period 2000–2011 and controlling for the effects of numerous other relevant variables, Di Matteo found that “annual per capita GDP growth is maximized at 3.1 percent at a government expenditure to GDP ratio of 26 percent; beyond this ratio, economic growth rates decline.”

For reference, in the United States, government spending as a share of GDP was over 40 percent in 2012. This ratio exceeded 50 percent in countries such as France, Denmark, and Sweden. Thus, these countries are at the point where their governments’ size and scope are likely detrimental to economic growth — and consequently detrimental to the advancement of the populace’s standard of living.

Conclusion

Claims should be backed by evidence. Unfortunately, people often forget to offer up data, and therefore claims that get repeated enough become accepted as “common knowledge.” Many people simply assume that the government can create jobs — or that one more employed immigrant means one more unemployed native — rather than bothering to look up the scholarly research on the matter.

Ultimately, it is wisest to be skeptical about any economic assertions until their authors provide convincing evidence.

Incentives 101

Why good intentions fail and passing a law still won't get it done

NOVEMBER 13, 2014 by Sandy Ikeda

A lot of what constitutes "thinking like an economist" involves asking the right questions. Those questions typically involve looking for the incentives people face in a particular situation.

For instance, one response to inflation — a sustained increase in an economy's general price level — is to think that making it illegal to charge more than a fixed amount for any given product would solve the problem. That is, you see an outcome you don't like, and without understanding why it is the way it is, you try to impose what you think is a better outcome. In the case of price ceilings, the consequence is chronic shortages.

Similarly, a common response to rising residential rents in some cities is to declare, "the rent is too damn high!" (In fact, there's a political party in New York that actually calls itself The Rent Is Too Damn High Party.) This declaration is usually followed by a demand for regulations that would make it illegal to charge more rent than someone in authority thinks is necessary.

On the other hand, if an economist determines that rents are indeed too high in a district, she will then ask how they got that way. (The all-too-common answer — greed — doesn't go far, because self-interest is no more a cause of high rents than air is a cause of fire.) In many cases, it's because the supply of residential property has been artificially restricted — perhaps by building codes, minimum parking requirements, and landlords "warehousing" livable buildings in order to escape existing rent-control policies. Armed with some basic economic principles, she would try to figure out what choices people made that caused rents to rise and why they made those choices.

This is another way of saying that incentives matter.

When incentives matter

I believe there's a very important sense in which financial incentives don't always matter. I'll get to that point later. But most of the time, when people claim that incentives don't matter or don't work, they're just not thinking things through.

Some appear to argue that incentives don't matter at all. For example, you often hear claims that municipalities that have increased the legal minimum wage — a wage below which it is illegal for anyone to work — have not experienced the negative effect on employment that critics predicted. Mind you, most of these same people probably realize that raising the price of other production inputs, such as electricity, would have a negative impact on businesses and employment.

Even if people don't *seem* to be following incentives — for example, if we don't see employers firing employees in droves and businesses closing down or moving out of town because of the higher minimum wage — they're still following incentives of some kind, though perhaps not the ones you expect. Employers compensate workers in ways in addition to wages, such as with benefits or discounts, and artificially raising wages means that an employer, who typically has a fixed budget in the short run, has to cut back in those other areas. And, over time, the minimum wage increase will indeed decrease jobs, often because machines will become relatively cheaper than higher labor costs.

Gun control is another area where we can see incentives at work. Like me, you probably find the statistics regarding gun-related injuries and deaths in the United States very troubling. However, instead of simply reacting by calling for legislation banning or severely restricting firearm ownership by private persons, an economist should first ask what economic incentives might lie behind these violent incidents. (I acknowledge that there are noneconomic factors also involved.) If they tend to occur where gun control is already relatively strict, for example, that might suggest looking into whether such controls lower the cost of committing violence against an unarmed populace. (Some might find interesting the work of John Lott and his critics on gun control.)

In short, as I've said in a previous column, one could almost define economics as the science that explains why passing a law just won't get it done.

While we're on the subject of incentives, I've noticed a tendency to conflate the use of financial incentives with the free market. While voluntary exchange often involves paying money to someone, that doesn't mean any given transaction is consistent with free-market principles. A business owner who pays a bribe for a special privilege and the government official who takes it are both responding to incentives, but a market is free only to the extent that the people in it aren't using political power to gain an advantage over their competitors.

Non-pecuniary incentives are essential for a free society

At the same time, the free market flourishes when everyone, most of the time, refrains from taking advantage of each other's vulnerability.

Many people, especially college professors, are surprised by how much honesty, reciprocity, and trust exist among those who engage in business. The biggest, most successful corporations in the world, such as Google and Apple, are renown for how much they trust their employees and how much independence they give them. (There are much smaller companies that do so, too.) A very successful entrepreneur I know told me recently that the key to running a large, profitable business is to treat your employees, suppliers, and customers with respect and like responsible people. It's just not possible always to be looking over someone's shoulder.

When you trust people to reciprocate that trust, you're taking a chance that they may take advantage of you. Such pessimism, however, means your relationships with other people — your suppliers, employees, and customers — will never have a chance to flourish. That's why it goes against your long-term interests to hunker down and never leave yourself vulnerable to opportunistic behavior.

The incentive to treat people right by following norms of honesty and fair play is nonmonetary, but it can make your business prosper. It seems that the best business owners aren't driven primarily by profit-seeking, although they probably wouldn't do what they're doing without earning that profit. No, the incentives they follow often have more to do with knowing that they've done things the right way and so deserve all that they've earned. (Which is why they can get very upset when a politician says, "If you've got a business, you didn't build that.") That knowledge is something all the money in the world can't buy.

Read a Portuguese version of this article here

Biting the Invisible Hand: An Interview with Peter Foster

Foster explains the psychology of anti-capitalism

FEBRUARY 02, 2015 by The Freeman

Peter Foster is an English-born financial and economics columnist in Canada, where he writes twice weekly for the National Post. *He is the author of nine books, the latest of which is Why We Bite the Invisible Hand: The Psychology of Anti-Capitalism. We got to sit down with Peter and talk about that very book.*

The Freeman: What is the psychology of anti-capitalism and where does it come from?

Foster: I've always been fascinated at peoples' lack of appreciation of, and sometimes outright hostility towards, capitalism — despite the system's enormous achievements. I concluded that anti-capitalist sentiment is a combination of economic misunderstanding, moral condemnation, and political exploitation. My book describes a journey — both geographical and intellectual — to trace the roots of such thinking, or rather nonthinking.

The answer to the conundrum obviously has to be "inside our heads." For me, the issue became clearer when I discovered evolutionary psychology. Its fundamental insight is that our minds were designed in, and for, an environment very different from that in which we now live. It was the face-to-face environment of the relatively small tribe, where everybody knew everybody else, there were no complex markets, no voluntary employment, no technological advance, no money, and no growth.

The moral matrix of that tribal, hunter-gatherer environment was adaptively inclined towards collectivism and condemnation of "greed," which was synonymous with *having more than your fair share.* The idea that people can earn their way to becoming super wealthy by serving others —

and, in the process, produce a good that is "no part of their intention," is thus fundamentally counterintuitive.

We are born with certain implicit evolved assumptions about the way the world works. Those assumptions inevitably lag the light-speed evolution of commercial society, particularly in the past two hundred years. We are inclined (and politically encouraged) to conflate inequality — which is inevitable in a free capitalist society and goes along with the rising living standards of ordinary people — with inequity, or "unfairness." If you are rich, you must be "greedy," like some tribesman making off with a bigger hunk of the carcass than he can eat. We still retain primitive zero-sum assumptions: that if somebody has something, then somehow it has been acquired at the expense of someone else. Hence inequality is morally condemned. This led me to look into the origins and nature of morality.

The final element in the anti-capitalist mental stew, I suggest, is the urge to power, which effortlessly, indeed subconsciously, exploits economic ignorance and moral confusion for its own ends. That's why the left perpetually carries on about "gaps" in wealth and income. That's why the same attractive but counterproductive policies, such as minimum-wage legislation or "buy American," keep coming back.

The Freeman: Adam Smith is in some way the intellectual father of modern markets. At least, he brought full expression to so many of the concepts. What are some of the ways in which Smith is misunderstood or gets mischaracterized?

Foster: Since he's the father of a system that's not understood, and continually condemned despite — or perhaps because of — its success, it's inevitable that he has been misunderstood and condemned, too.

In Scotland, his home country, his reputation has suffered from being associated with Thatcherism, but then Thatcher has been even more misrepresented than Smith! I point out in the book that around the time I first went to Kirkcaldy, where Adam Smith was born, the local socialist council removed all the signs leading to the town indicating that it was his birthplace. His gravesite in Edinburgh was in disrepair. Ironically, Marx's tomb in London was in a private cemetery and much better maintained.

The good news is that since then, the site has been somewhat rehabilitated. Now he has a fine statue in Edinburgh, and appears on the British 20-pound note. But his message is still misunderstood. The worst misrepresentation of Smith is that he was somehow a promoter of greed and selfishness, and of grinding the faces of the poor. Another is that he imagined that humans were rational and markets perfect, thus — say his critics — his "system" doesn't work. In fact, Smith was an insightful student of human *irrationality*, and noted that the process of the market was inevitably a messy business. His key point was that the invisible hand, which coordinates myriad individuals' contributions and needs, works much better if left alone than under government "guidance."

To understand Smith you have to read *both* his books: *The Wealth of Nations* and *The Theory of Moral Sentiments*. He understood that human nature was complex, inclined to self-deceit, and that it tended to lose all sense of proportion when it came to "faction and fanaticism," that is, politics and religion. But since he had no idea of the vast wealth that the world of the *Wealth of Nations* would generate, he never considered what problems the *Moral Sentiments* might have with it, or how those sentiments might be politically exploited in pursuit of grabbing control of the wealth, although he was extremely cynical about politicians.

Ironically, Smith has latterly been embraced by some on the left, who, since they believe they have a monopoly on "moral sentiments," imagine from merely the title of the book that he must have been one of them. Some claim he was a revolutionary, which indeed he was, but for smaller government, not larger.

In some ways, his message has been hijacked. The Adam Smith lecture in Kirkcaldy has in recent years been given by the likes of Kofi Annan, Amartya Sen, and, most recently, Harvard pseudophilosopher Michael Sandel. All are staunch leftists who despise free markets. Smith must be spinning in his grave.

The Freeman: Darwin's "dangerous" idea interlinks with and complements Smith's ideas. And yet apart from unreflectively bashing Smith's insights in *The Wealth of Nations* as "social Darwinism," most contemporary intellectuals have delinked that connection. Can you tell us about this linkage and why anti-capitalists are interested in ignoring it?

Foster: Smith's thought was profoundly evolutionary, although he was concerned with social rather than biological evolution. In particular, he noted the progression of human society from hunting and gathering to pastoralism, then farming, then commerce and industry. Darwin read Smith at Cambridge and was profoundly influenced by him.

The Smithian market system, guided by the invisible hand, is quite similar to natural selection, even if it is based on more or less deliberate "choices" that are not present in natural evolution. Individuals and companies in relatively free markets constantly throw off innovations and these are then "selected" — and their innovators and producers rewarded — on the basis of their value to consumers and how efficiently they are produced.

The most intriguing connection between Smith and Darwin lies in what a Darwinian perspective says about the evolution of morality, and how that morality might have problems with the much quicker evolution of commercial society in the past two or three hundred years. Smith spotted the paradox that the moral sentiments had been "designed" by the "Great Architect of the Universe" to help men live in society, but at the same time motivated the greatest cruelty. A Darwinian perspective explains the evolution of this two-sided nature of morality as a kind of arms race. Being nicer to those within our tribe promoted solidarity so we could be nastier to outsiders. Evolution should also have much more to tell us about the conscious and subconscious urge to power.

I suggest in the book that that these areas of study have been not so much neglected as avoided. Neo-Darwinism has come under fierce attack from the academic left and is itself permeated with reflexive anti-capitalists such as Richard Dawkins.

The Freeman: You follow President Eisenhower and Karl Popper in warning us about the troubles that come with a small scientific-technocratic elite. What's wrong with the idea that the experts should give us the best information and tell us what to do? They are, after all, the experts.

Foster: Problems arise when experts become ideologically engaged and start making policy recommendations quite outside their areas of expertise — also when expertise is hijacked by authority for political purposes. The major example of both at the moment is that of projected catastrophic man-made climate change. I note in the book how when something is framed as a moral issue, the "psychology of taboo" comes into play. This explains why those who ask quite reasonable questions about the science of climate are berated as "deniers" or fossil fuel industry "shills" who must be ignored. Perhaps they should even be locked up.

The more practically serious issue is that scientific experts without training in economics, or knowledge of (or even interest in) economic history imagine that the "solution" to the alleged problem is easy: just have a grand top-down global agreement to appropriately "price" pollution, curb emissions, and have wise governments guide economies toward "technologies of the future."

The majority of scientists tend leftward out of a combination of economic ignorance and still-widespread academic moral condemnation of capitalism. Einstein thought capitalism was just too messy and that central planning was the answer. Of course, there are Nobel economists who think that way, too. They are inevitably on the left, and thus intensely morally engaged as opponents of what Paul Krugman — a typical example — calls "greedism."

In the book, I note the importance of Thomas Kuhn's insights about scientific paradigms and how these tend to become professionally entrenched and all the harder to shift if they contain a "moral" element. The alleged moral element of the climate paradigm is unprecedented. If you don't subscribe to the catastrophic theory, then you have no concern for the poor; you are a reckless and selfish soul prepared to play Russian roulette with the planet. Thus, one must not quibble. One must get with the program, which unfortunately happens to be just a variant on the same old tried-and-failed socialism.

The Freeman: You describe macroeconomic models as conceptual "Rube Goldberg" contraptions. Why?

Foster: We all construct simplified models to help us understand the world, but the economy is far too complex and uncertain to be modeled. We obviously understand certain economic relationships and trends, but macroeconomic modelers are examples of what Adam Smith called "men of system." Instead of seeing the economy as a chess board with themselves as the players — the analogy Smith used — modern men of system have, since Keynes, seen it as a kind of hydraulic device that they control by twiddling conceptual knobs and pulling conceptual levers. Or they see it as being like a car or airplane that not only needs someone in the driver's seat but is also prone to break down and thus needs economic "mechanics."

But the essence of the free-market economy is that it is a self-ordering and self-correcting organic process, and it depends — as Hayek pointed out — on vast amounts of dispersed knowledge and personal preferences that are simply not available to modelers any more than they were available to central planners. Imagining that you can "run" the economy by assiduously fiddling with interest and tax rates and spending on “stimulus” is a delusion fed by modeling. People think these policies are valid because every government engages in them, but, as the great Austrian economists Ludwig von Mises and Friedrich Hayek pointed out, such government interventions can’t cure booms and busts. In fact, they are usually the cause of them.

The Freeman: And why has this form of economics held sway for so long?

Foster: I trace the rise of macroeconomics and the embrace of Keynesianism — and the corresponding rejection of the invisible hand — to their political attractiveness, not their economic viability. People have great trouble in working out who is responsible for what in a mixed economy. If government intervenes and the economy grows, then people are easily persuaded that it is government macrointervention that has masterminded the growth rather than retarded it. And when things go bad again, “unfettered capitalism” is a convenient scapegoat.

The Freeman: Tell us about gross national happiness (GNH). Isn’t this a superb idea?

Foster: Who could argue with the pursuit of happiness? The Founding Fathers thought it was central to any free and vibrant society. Trying to calculate it, however, is folly on stilts. There’s no objective way of measuring any individual’s happiness, so the idea that you might somehow aggregate that of society as a whole is ridiculous. As usual, this idea arose from the left, which notes that such statistical measures as gross national product are incomplete. Of course they are! They just measure commercial output in money terms, a measurement that is itself imperfect. Once you start trying to incorporate “social connectedness” or any number of other murky metrics, then you wind up with something of which Rube Goldberg could never have conceived.

At root, GNH is just another assault on capitalism, or rather on the parody of capitalism as being all about mere material things, and “getting and spending,” a system that drives out all that is true, good, and important in human relationships — and leaves nothing but Marx’s “cash nexus.” In fact, capitalism has spawned wealth, welfare, charity, leisure, science, art, and human flourishing like no other system in history. It is failure — or refusal — to see this that demands psychological analysis. That’s why I wrote *Why We Bite the Invisible Hand*.

The Freeman: In your book, you offer grudging respect for Ayn Rand, but can you tell us where she goes wrong?

Foster: I think Ayn Rand was a remarkable woman, and had marvelous insights about the nature of capitalism and its enemies, but I think her problem was that she was in some ways *too* rational. Of course, reason is all we have to understand the world, but one of the first tasks of reason is to understand unreason. Rand certainly had tremendous insights into the unspoken political ambitions behind anti-capitalism, but I believe her mistake, and that of her followers, was to believe that you can make a rational moral case for capitalism without going into the roots of the moral case against it. There's no point in being rationally correct if people aren't listening. You have to try to understand why they aren't listening. Objectivists seem to believe that it's not important to look at mental evolution and that all that matters is where we are now, but I suggest that you can't really understand what we are unless you understand where we came from and how we got here.

I'm sure it will offend many objectivists, but I use the example of Rand's long-term affair with Nathaniel Branden, and its messy conclusion, to suggest that even the most rational people can be overwhelmed by emotion, and that applies as much to ideology as romance. This is not a "smear" of Rand but an attempt to point out that if you really want to take on and defeat the left's arguments, you need to understand them. And understanding others begins with philosophy's first rule: try to understand yourself.

I broadly agree with Rand's moral position, it's just that objectivists could do a much more effective job of promoting it. I still think *Atlas Shrugged* is one of the most original books ever written.

The Freeman: Who is the "greenest businessman in America" and what can we learn from him?

Foster: I have a chapter on Ray Anderson, who created and built a Georgia-based company called Interface into one of the largest flooring companies in the world. The "greenest businessman in America" tag comes from his obituary, but I use it as having a double meaning. Anderson was green in the sense of embracing radical environmentalism and its condemnation of industrial society, but he was also green in the sense of being naïve about exactly what he was supporting, which was ultimately suicidal for entrepreneurs such as himself and for society as a whole. I suggest that he was the kind of man who would make sure that the rope he manufactured for his own hanging would be recycled! Anderson was an outstanding example of a businessman who swallowed the green Kool-Aid. I describe how he came under the influence of a group of charlatans and flimflam men, including green gurus such as Paul Hawken and Amory Lovins, but how all their grand plans to climb “Mount Sustainability” while leaving zero “footprint” weren’t going anywhere that free markets don’t tend to go anyway.

Anderson was a prime example, although a far from rare one, of the anti-capitalist capitalist, a breed that stretches from before Marx’s partner Engels — who was a cotton manufacturer — up to current examples such as George Soros and Michael Bloomberg. The corporate world is filled with executives like Anderson who think it sophisticated to sign on to “corporate social responsibility” and “sustainable development,” without understanding the subversive nature of these concepts.

The Freeman: If you had to pick one book besides *Why We Bite the Invisible Hand* for our readers to pick up, what would it be?

Foster: That’s the toughest question yet! Steven Pinker’s *The Blank Slate*. It’s a marvelous book about the evolved nature of the human mind and how and why that idea has been resisted.

The Freeman: Peter Foster, it’s been a pleasure.

What Economic Elites Don’t Want You to Know about Crashes

A 1921 event will change your understanding of depressions

FEBRUARY 05, 2015 by Douglas French, James Grant

James Grant. *The Forgotten Depression: 1921: The Crash That Cured Itself*. Simon & Schuster, 2014. 273 pages.

The Great Recession drags on everywhere except for Wall Street, Washington, DC, and Ben Bernanke’s consciousness. “By stabilizing the financial system, we avoided much, much worse, persistently bad consequences for our economies,” Bernanke said in an interview with his old friend Mervyn King (former head of the Bank of England) on the BBC.

Bernanke says he was stimulated by the opportunity to open up his monetary bag of tricks. “I feel that the work I did as an academic paid off and that I was able to use that to help solve these problems,” he said. “That’s very satisfying, though it’s not an experience I would voluntarily repeat.”

Maybe it’s paying off for Bernanke as he makes $200,000 per speech, but for the rest of us, not so much. The former Fed chair famously told Milton Friedman the central bank wouldn’t make the same mistakes as the 1930s Fed. From his analysis, Bernanke thinks the central bank tightened the money supply in the ‘30s to cause the Great Depression. That lesson prompted him after the 2008 crash to unleash a barrage of rounds of quantitative easing and an Operation Twist while quadrupling the central bank’s balance sheet to “stabilize the financial system.”

Jim Grant sees it differently, thinking Bernanke and company should have kept their hands off the money supply and interest rates. Grant, the financial world’s foremost wordsmith, provides the depression of 1920–21 as his evidence.

His book *The Forgotten Depression: 1921: The Crash That Cured Itself* chronicles how the market works marvels if left alone. Grant tells the reader right away, "The hero of my narrative is the price mechanism, Adam Smith's invisible hand."

Yes, there was a Treasury and a still-new Federal Reserve. But Lord Keynes had not yet published his *General Theory*, the bible of today's meddling monetary bureaucrats. Presidents Woodrow Wilson and Warren G. Harding ignored the downturn at best, "or [implemented] policies that an average 21st century economist would judge disastrous," Grant writes.

The nation's money was backed by gold, and the monetary mandarins had actual business experience to draw upon rather than just theories and equations running through their heads. The man who headed the central bank was William P.G. Harding (no relation to the president), who was born in tiny Boligee, Alabama, and was a career commercial banker. The Treasury secretaries during the period were David F. Huston, who had been secretary of agriculture, and industrialist, businessman, and banker Andrew W. Mellon.

The depression in question lasted 18 months, from January 1920 to July 1921, far shorter than the 43 months of the 1929–33 Great Depression and a fraction of the recent Great Recession. Government's inaction proved the point Murray Rothbard made in his book *America's Great Depression* (quoted by Grant): "If a government wishes to alleviate, rather than aggravate, a depression, its only valid course is laissez-faire — to leave the economy alone."

The numbers in 1920–21 are jaw dropping. Producer prices fell 40.8 percent, industrial production dropped 31.6 percent, corporate profits plunged 92 percent, and stock prices fell by 46.6 percent. Joblessness was as high as 19 percent.

All of this pain after the Dow Jones Industrial Average nearly doubled from 1918 to the start of 1920. Speculative fever was such that those playing the market on margin were willing to pay 20 percent interest to bet on such a sure thing. "That much was evident to the miscellaneous company of lay investors who were knocking down Wall Street's doors," Grant writes. "Hotel chefs, undertakers, union officials and leisured ladies were among the latecomers to the frolic."

The Federal Reserve raised its discount rate from 6 percent to 7 percent on June 1, 1920, and by Election Day of that year, the Dow was down 29 percent. Business owners demanded wages be reduced while American Federation of Labor president Samuel Gompers countered with "We will tolerate no reduction of wages." In the end, management won.

Herbert Hoover, who took over as secretary of commerce in 1921, sounded almost Rothbardian about the boom and bust, quoted by Grant as saying, "we speculate, overextend our liabilities, slacken down our effort, lower our efficiency, waste our surplus in riotous living instead of creation of new capital, drive our prices to vicious levels, lose our moral and business balance." People would "have to come into the cold water in the end."

Upon taking office in March 1921, Andrew Mellon said citizens should save the government's money rather than spend it. Besides fiscal constraint, America benefited from the country's high interest rates, which attracted a continuous inflow of gold. Grant explains that in the summer of 1920, gold covered 40 percent of the notes in circulation. By May 1921 that percentage doubled and the notes at the New York Fed were collateralized completely. Commodity prices collapsed and money (gold) flowed where it was most highly valued.

As quickly as it began, the depression was over. Benjamin Anderson, then an economist for Chase National Bank, wrote in his *Economics and the Public Welfare: A Financial and Economic History of the United States, 1914–1946*, "In 1920–21, we took our losses, we readjusted our financial structure, we endured our depression, and in August 1921, we started up again. By the spring of 1923, we had reached new highs in industrial production and we had labor shortages in many lines."

Note to Drs. Bernanke and Yellen: this bounce was not fueled by an increased money supply. Grant makes clear in a footnote that the money supply fell 14.4 percent from March 1920 to January 22, 1921, and what the Fed had direct control of — the monetary base — fell 17 percent from October of 1920 to January 1922. From this tightness, the Roaring '20s was spawned.

But Lord Keynes believed the cure — instability of prices — was instead a thorn in society's side. "The more troublous the times, the worse does a laissez-faire system work," Keynes told the National Liberal Club in December 1923. He believed instability caused unemployment, profiteering, and precarious expectations. In the wake of laissez-faire's great triumph, Keynes put forth the idea that has stayed with us ever since: "Mandarin rule was the new idea: governance by economists," Grant writes.

In February 1936, Keynes's *General Theory* was published and the price system was replaced by central bank stabilization forever, so far. "*The*

General Theory is nothing less than an epic journey out of intellectual darkness," Nobel Prize winner Paul Krugman gushed.

Grant's *Forgotten Depression* makes an airtight case for a return to intellectual darkness. Keynesian enlightenment has brought us prolonged financial suffering and substandard economic growth. Bailing out big banks and failed entrepreneurs keeps capital in the hands of the inefficient, to be wasted. Remembering Hoover, we have lost our "moral and business balance." The Fed and Treasury must get out of the way, allowing us "cold water in the end."

Too Dumb for Democracy?

Global ignorance vs. local knowledge

NOVEMBER 17, 2014 by B.K. Marcus

Should Americans feel bad that we are the second-most-ignorant country in the world? (Italy is number one.)

Our penultimate status made the news recently, after research group Ipsos MORI announced the results of the first international study "to look at the gap between perception and reality" on questions of social policy. The issues included teenage pregnancy, immigration, and unemployment.

The result of the study, as one reporter summarized in the *Huffington Post UK*, is that "everyone is wrong about almost everything."

In particular, those polled consistently overestimated the prevalence of all the groups they were asked about. Apparently, most of us believe there are far more unemployed immigrant pregnant teenage girls among us than is actually the case.

"Such misconceptions are typical around the world," according to the *Guardian*'s report on the study, "but they can have a significant impact as politicians aim to focus on voter perceptions, not on the actual data."

Earlier studies, focused on American voters, reveal even more embarrassing results.

For example, according to political scientist Jeffrey Friedman, “at the height of the Cold War, 62 percent of the US public failed to realize that the USSR was not a member of NATO.” If you believe that a healthy democracy requires an informed public to watch over its elected officials, you may find it disheartening that “seventy percent of the public doesn't know the names of either of their state's senators, nor can most people name either congressional candidate in their district at the height of the campaign season,” according to a Cato policy report, “Public Ignorance and Democracy.”

But maybe particular statistics and specific names don't matter as much as the principles being debated and voted on. If so, there's still reason for concern: "sixty-nine percent of the public believe," Friedman informs us, "that price increases are mainly caused by companies manipulating the market to raise their profits."

If you're reading this article, you probably already know better. As far as basic economic policy is concerned, I shouldn't speak of *us* and *our* ignorance. We're really talking about *them* and *theirs*.

If the vast majority of *them* — the putative decision makers in a democracy — don't understand the most basic principles of cause and effect, what hope is there for our economy?

Should we be trying to educate them? Of course. But despite hundreds of years of understanding on the consequences of price fixing, and at least decades of effort to disseminate that understanding, voters in four states decided recently to raise the legal minimum wage within those states. They simply don't believe that they are voting against the interests of the poorest workers; they think they're helping them!

Ignorance, like knowledge, tends to be specialized. We all know highly educated people who haven't a clue how prices and wages work — or what damage is done to the most vulnerable in the economy when someone tries to engineer the price system. The problem isn't that Americans (and Italians, and voters in every country) are "wrong about almost everything." The problem is that they're being asked to make decisions outside those fields in which they have plenty of knowledge.

The next time you're in the grocery store, look around. Would you rather everyone in the store vote to determine collectively what goes in everyone else's shopping carts? Or should they stick with choosing what goes in their own carts?

We can't know what everyone's individual wants and needs are. Nor can we know the relevant theory and history — or the current facts and statistics — of every policy decision in an ever-expanding political realm. We have to work hard enough just to keep up in our own fields. Worse than that, we have no real incentive to divert effort from our lives and specialties to learn the ins and outs of other areas in which we have, individually, almost no chance of making an impact.

As Bryan Caplan points out in his work on "rational irrationality," getting an issue like the minimum wage terribly wrong takes no work and has the immediate payoff of feeling like you're on the side of the angels. It also solidifies your standing within your own ideological tribe. Bothering to understand supply and demand (or knowing the names of your senators, or the percentage of teenage girls who are pregnant) offers no practical reward after you pull the lever in the election booth.

"Irrationality, like ignorance, is sensitive to price," Caplan notes, "and false beliefs about politics … are cheap." Mistakes are more costly in private life: "If you underestimate the costs of excessive drinking," to take one example, "you can ruin your life."

Where either costs or benefits are high, people will be more responsible about what they know. In the game of majority rules, costs and benefits for individual voters are quite low. No amount of education can change the rules of that game.

The problem with democracy, then, isn't the ignorant masses. It's that the masses, *as masses*, have a great impact on those policies where they are most ignorant — and where they're least likely to improve their understanding.

If you criticize democracy, many will think you're suggesting a more authoritarian alternative. But would a dictator or a planning board of experts do any better than the voting majority?

In 1945, F.A. Hayek wrote "The Use of Knowledge in Society," demonstrating that no central planner can ever manage an economy as well as the decentralized market of private property and free prices.

Planning boards (and research firms such as Ipsos MORI) focus on statistical aggregates, but the sort of information that needs to be coordinated in a complex system cannot be captured in a statistic. It can't be captured in any form of centralized knowledge. What Hayek was reminding his fellow economists — or perhaps informing them about for the first time — is that most of the relevant data in a dynamic process involve "local knowledge," an often temporary and sometimes seemingly trivial form of information that can only be held by the individuals who immediately benefit from it — or pay the price for getting it wrong.

"We need decentralization," wrote Hayek, "because only thus can we insure that the knowledge of the particular circumstances of time and place will be promptly used." In contrast to the kind of knowledge that Ipsos MORI and Caplan have studied, "The most significant fact about [the market] system is … how little the individual participants need to know in order to be able to take the right action."

What is true for the complexity of an economy is necessarily true for the even more complex society of which the market is a part: "The problem which we meet here," Hayek wrote, "is by no means peculiar to economics but arises in connection with nearly all truly social phenomena, with language and with most of our cultural inheritance."

Spreading the decision out among millions of voters does not make the plan any less centralized.

If we care about the gap between voters' perception and the realities relevant to so-called social policy, it is precisely because these social issues have been taken out of the spontaneous order of the social realm and turned over to the world of *policy*, where engineered solutions do as much damage to society as engineered prices do to an economy. Ignorance and bad theory can make the damage worse, but the truth is that the most enlightened planners with the most accurate data still can't match the results of the invisible hand. Why? Because the "invisible hand" is really shorthand for real people acting on local knowledge.

If voluntary society already contains within it the means of directing specialized knowledge to the benefit of the general welfare while minimizing the consequences of our ignorance, then the solution to our irreparable ignorance is simple: we need less government policy and more voluntary interaction.

5 Priceless Tips I Gave My Uber Driver

Big ideas most people don't understand about the economy

DECEMBER 03, 2014 by Richard Lorenc

I was in an Uber car the other day, returning from a conference. I love Uber and used it for years in Chicago before returning to my hometown, Atlanta. There are a lot of amusing exposés out there contending that the majority of Uber drivers hate their jobs and feel enslaved by corporate overlords.

Virtually every driver I encounter tells me they love working with Uber; an off-duty Uber driver once overheard me saying something about the company over lunch, and he volunteered enthusiastically that he loves his job. There was no driver rating at stake in that exchange.

I've had interesting discussions in Uber cars. One driver told me he had walked a young woman into the ER minutes before picking me up (he thought she had overdosed). Another driver explained how he had escaped New Orleans just hours before Katrina hit, only to return to complete destruction. And there have been quite a few who've told me they drive to earn money to build other businesses. Uber drivers are by definition entrepreneurs. And many see driving as a stepping-stone to something bigger.

Occasionally, Uber drivers will volunteer economic views as they relate to their business. My driver the other day — his name was Chris — even identified himself as a "free-market guy" while talking about Uber.

Naturally, this got my attention, but I decided not to spill the beans until he asked what my colleague and I do. I explained that we work for an organization called the Foundation for Economic Education, which teaches young people about the free market.

Chris is a big guy, and on hearing my words, he shook the car with laughter as we drove on the interstate.

Then he asked for tips.

"Stock tips?" I asked.

"No, big ideas that most people don't get about the economy."

I gave him those tips. I thought I would share them with you, too.

Big idea 1: Trade is win-win.

My colleagues and I teach our students that trade is win-win by saying, "Trade is made of win."

I asked Chris to imagine being a customer at Starbucks. He wants a venti café au lait so much that he's willing to part with $5 to get it. For the customer, the coffee is worth more than the money; why else would he surrender his cash at the register? The opposite is true for the seller: $5 is worth more than the coffee. The buyer and seller exchange property rights, and each says, "thank you." (This is sometimes called the "double-thank-you phenomenon.") The transaction makes them both better off — they have created value for each other through trade.

Big idea 2: Entrepreneurs create value.

Entrepreneurs create massively greater value for society generally than they create in profits for themselves.

An estimated 98 percent of the innovators profits generated by nonfarm businesses in the United States between 1948 and 2001 were never captured directly by the individual innovators or firms. Innovators profits — or "Schumpeterian profits" —vary by industry. Apple did not fully capture the Schumpeterian profits generated by the debut of the iPhone, for example. Instead, the iPhone created entirely new business categories and lowered the consumer price of supercomputers that fit into your pocket. But Apple captured enough of its innovators profits that it has an incentive to continue to innovate — and potential competitors had an incentive to enter the market. Competition lowers prices, benefitting consumers.

Big idea 3: Everything has a cost.

This idea is the lynchpin of what we call economic thinking: that is, the application of economic concepts to help explain why people and groups make the choices they do.

Normally, we introduce this concept by calling it an *opportunity cost*. If all of us understood clearly how the choices we make today necessarily limit the choices available to us tomorrow, we would solve 95 percent of the problems caused by economic illiteracy.

At FEE’s seminars, many students are deciding whether to go to college. Not only is there a direct cost to college, but there is also the opportunity cost of spending time cloistered in academia when you could be launching the next Facebook. In many cases, college is worth the cost, but not in every instance.

We take pains at FEE to practice what we preach. We've gotten away from advertising that our seminars are free to attend and offer free accommodations and meals. Instead, we say they are offered at “no charge.”

After all, TANSTAAFS — there ain't no such thing as a free seminar. You have to sit and take it for three whole days. And that carries a cost.

Big idea 4: Emergent order rules.

The world we live in is the product of countless interactions among individuals, not the result of some master plan. Even if there is a plan, the traditions, mores, and informal institutions that guide behavior dominate. F.A. Hayek named this phenomenon *spontaneous order*, but I prefer contemporary economist Russ Roberts's term *emergent order*. The concept goes back to Scotland, to Adam Ferguson, and later to Adam Smith’s invisible hand metaphor.

The invisible hand, by the way, is probably one of the most misunderstood concepts in economics. It's as if those who mock it as some sort of supernatural occurrence have never heard of a metaphor, which depicts how individuals working in their own interest also create value for others.

The idea boils down to this: The world we live in is the product of human action, not human design.

Big idea 5: Markets are moral.

Finally, we have what is perhaps the most important tip of all when talking to young people: *commerce makes us better people*.

It civilizes us. It permits us opportunities to practice politeness with strangers. FEE’s founder, Leonard Read, captured this concept in his famous essay "I, Pencil," and Milton Friedman popularized it in the *Free to Choose* TV series.

The market is a process of ever-growing interconnectedness. As the market grows, our individual opportunities for specialization grow with it, and we each become wealthier through our access to goods and services we could never fathom creating ourselves. By creating value for others, we tend to become less concerned with the nationalities or races or religions or sexual orientations of those who bring to market the goods we depend on. A deal is a deal, and the more we become acclimated to making deals with those who are different from us, the closer we grow as human beings.

This last concept is vital, because students today are looking for ways to explain the world and their places in it through dimensions beyond material efficiency. Certainly, the coordination of market activities through the information conveyed by prices is superior to the commissar's desk-bound decision-making, but advocates of economic freedom must first listen to the concerns of those undiscovered libertarians who are fundamentally idealistic and decent people, and whose only hang-up with the free market is that it sometimes appears irrational.

Why, for instance, would GM, a hallmark of American ingenuity and industry, be more valuable if it were closed? Why can't the government just give spoons to all of the unemployed so they can stay busy constructing roads? Why shouldn't fast food workers make $15 per hour? Why can't everyone have inexpensive health care?

Appealing to personal values is the gateway to economic thinking that helps to explain our complex world.

Uber redux

The Uber phenomenon represents something important happening now in the human consciousness, and millennials (people born between 1980 and 2000, roughly) may be noticing it the most.

Individuals are now free to exchange goods and services with each other around the world. They are able to take innovations such as the concept of ride sharing and the proliferation of apps to use otherwise unproductive capital — their cars — to serve others.

This is great news for our world as millennials begin to assume positions of influence and leadership and are now beginning to see a real choice between the philosophy of control versus the philosophy of freedom.

This article is excerpted from a speech the author made to The Discussion Club, a Bastiat Society affiliate, in St. Louis, Missouri.

About Jeffrey A. Tucker

Jeffrey Tucker is Director of Digital Development for the Foundation for Economic Education. He is also Chief Liberty Officer and founder of Liberty.me, the global liberty community with advanced social and publishing features, executive editor of Laissez Faire Books, research fellow at the Acton Institute, policy adviser of the Heartland Institute, founder of the CryptoCurrency Conference, member of the editorial board of the Molinari Review, an advisor to the blockchain application builder Factom, and author of five books. He has written 150 introductions to books and many thousands of articles appearing in the scholarly and popular press. His new book is *Bit by Bit: How P2P Is Freeing the World*.

About Max Borders

Max Borders is editor of *The Freeman* magazine and director of content for The Foundation for Economic Education (FEE). He is also author of *Superwealth: Why we should stop worrying about the gap between rich and poor*. A writer and innovator with a decade of experience in the non-profit world, Max works daily towards a condition of peace, freedom and abundance for all people.

About Nicole Kardell

Nicole Kardell is an attorney with Ifrah Law, a Washington, DC-based law firm. She represents clients in government enforcement actions and other regulatory compliance matters before federal and state agencies. Her practice provides her insight into the burdens imposed on the market by ever-expanding regulations. She regularly writes for her firm's blogs, FTCbeat.com and CrimeInTheSuites.com.

About Jenna Robinson

Jenna Robinson is director of outreach at the Pope Center for Higher Education Policy.

About Corey Iacono

Corey Iacono is a student at the University of Rhode Island majoring in pharmaceutical science and minoring in economics.

About Sandy Ikeda

Sandy Ikeda is a professor of economics at Purchase College, SUNY, and the author of *The Dynamics of the Mixed Economy: Toward a Theory of Interventionism*.

About The Freeman

The Freeman is the flagship publication of the Foundation for Economic Education and one of the oldest and most respected journals of liberty in America. For more than 50 years it has uncompromisingly defended the ideals of the free society.

Through its articles, commentaries and book reviews, several generations of Americans have also learned the consequences and contradictions that flow from collectivism, interventionism, and the welfare state.

No other magazine, outlet, or scholarly journal introduces readers to so many implications of what the free society is all about: its moral legitimacy, its tremendous efficiency, and its liberating effects in every area of life.

Questions? Comments? Feedback? Submissions? Email editor@fee.org.

About Douglas French

Douglas French is an Associated Scholar at the Johnson Center at Troy University and adjunct professor at Georgia Military College. He is the author of three books: *Early Speculative Bubbles and Increases in the Supply of Money*, *Walk Away*, and *The Failure of Common Knowledge*.

About James Grant

FEE

About B.K. Marcus

B.K. Marcus is managing editor of the *Freeman*. His website is bkmarcus.com.

About Richard Lorenc

Richard N. Lorenc is the Chief Operating Officer of the Foundation for Economic Education (FEE). In this role, he supports FEE's business unit leaders, supervises program measurement, and participates in organizational strategy and business planning. Additionally, he serves as Publisher of The Freeman, published by FEE since 1956. Lorenc serves on the board of directors of the Coalition to Reduce Spending, Inc., an advocacy group established to place meaningful controls on federal spending. Additionally, he serves on the board of directors of Oberg Research, Inc., which evaluates non-profit organizations' educational outcomes. A graduate of both the Charles Koch Institute's Liberty@Work program and the Atlas Network's Leadership Academy, Lorenc's professional background includes service at the Illinois Policy Institute, America's Future Foundation, and Truth in Accounting, where he co-founded the interactive state fiscal database StateDataLab.org. Lorenc has traveled to over 30 countries and has been published in the Wall Street Journal, New York Times, Chicago Tribune, Chicago Sun-Times, Washington Post, and others on topics from constitutional government to LGBT rights to design. He is a graduate of Emory University and lives in Atlanta, where he plays the double bass in the Emory University Symphony Orchestra.