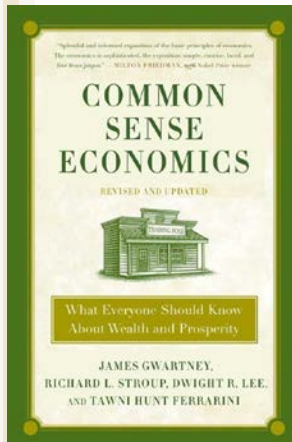


# MODULE F: ECONOMICS, MARKETS, AND MORALITY



## Common Sense Economics ~ What Everyone Should Know About Wealth and Prosperity

<http://commonsenseeconomics.com/>

<http://CommonSenseEconomics.com/>



Turn on the learning light!

# GREED AND SELF-INTEREST

- Read: [Greed Is Not Good, and It's Not Capitalism](#) by Jay Richards
- Watch: [Milton Friedman and Phil Donahue on Greed and Self-Interest](#)



# GREED AND SELF-INTEREST

## ○ Greed vs. Self-Interest

- **Self-Interest**

- involves the desire to make yourself and those around you better off.

- **Greed**

- The excessive pursuit of wealth and possessions even if the actions harm others.

## ○ The Greed Myth

- The fallacious view that capitalism encourages greed and it is greed that makes the system work. (Jay Richards).



# GREED AND SELF-INTEREST

- Greed, Markets and Political Decision Making
  - The truth about greed: There will always be greedy people regardless of the political/economic system.
  - Key issue is how the economic system directs the actions of people, including those who are greedy.
  - Systems that require key decision makers to be saintly will perform poorly.
    - As Milton Friedman asks, “Where in the world will you find these angels who are going to organize society for us?”



# ATTRIBUTES OF A FREE MARKET

- Watch: [Exchange and Win-Win Activities](#) with Jay Richards
- Read: [The Intellectual Defense of Liberty](#) by Walter Williams
- Read: [Free Exchange: Morality and Economic Freedom](#) by Jim Daly and Glenn Stanton
- Watch: [Atlas Shrugged and the Economics of Exchange](#) by John Stossel with John Allison



# ATTRIBUTES OF A FREE MARKET

- Win-win vs. Win-lose
  - **Win-win actions:** All of the parties involved gain.
  - **Win-lose actions:** Some of the parties involved gain, but others lose.
- Trader principle: Market exchanges are win-win activities
  - Voluntary exchanges do not occur unless both buyers and sellers gain.
    - A barber only cuts hair if they value the money received more than the time it took to cut the hair.
    - The patrons only get their hair cut if they value it more than they have to pay.



# ATTRIBUTES OF A FREE MARKET

- The Zero-Sum-Game Myth
  - The fallacious view that if one of the trading partners gains, the other must lose an equal amount.



# ATTRIBUTES OF A FREE MARKET

## ○ Markets and Morality

### ● Key Elements of a Free Market System

#### ○ **Voluntary exchange**

- Peaceful actions rather than coercion or government control.

#### ○ **Respect for the rights of others**

- Freedom of action as long as you do not violate the rights of others (no force, fraud or theft).

#### ○ **Incentive to serve others**

- People earn income by providing others with things they value.

#### ○ **Cooperation among people:**

- Voluntary exchange results in an amazing degree of specialization, cooperative interactions, and interconnectedness to produce things that improve our lives (remember the I, Pencil story).





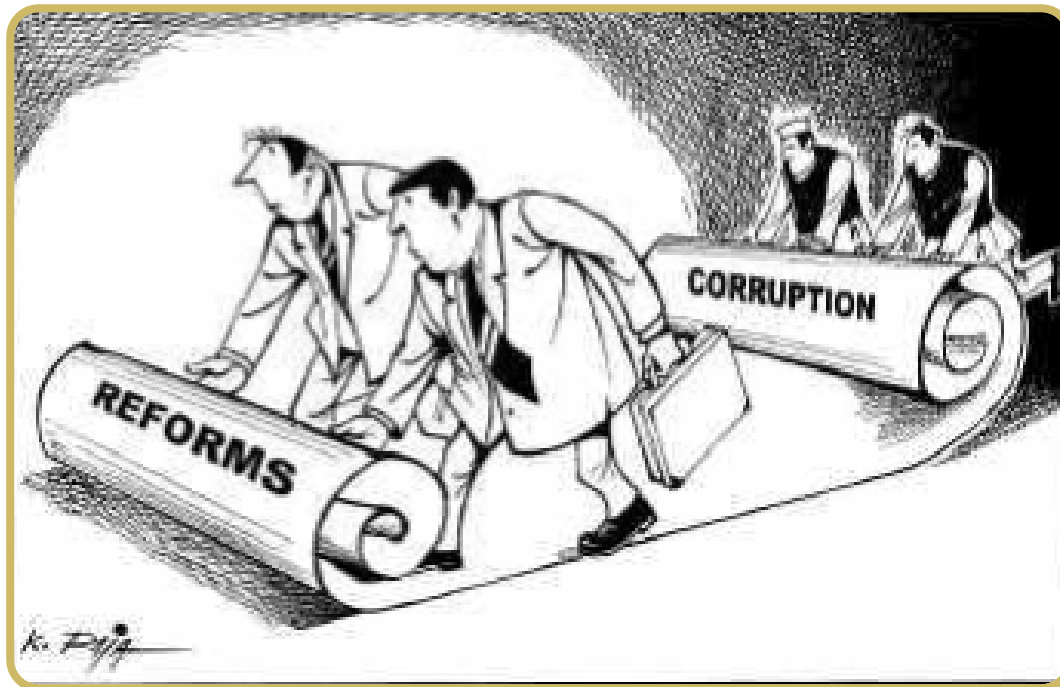
# ATTRIBUTES OF A FREE MARKET

- Views of businessman John Alison:
  - When people pursue their self-interest they will engage in win-win exchanges and relationships with others.
  - Pursuing one's self-interest does not mean taking advantage of others. In business, caring about your customers and clients is what leads to your success and win-win relationships.
- Question for thought:
  - Why did John Alison's bank refuse to extend negative amortization loans?



# CRONYISM

- Read: [Cronyism, Economic Freedom, and Human Flourishing](#) by Joseph Connors
- Watch: [Can the U.S. Be Accurately Described as a Free Market?](#) with Jay Richards



# CRONYISM

## ○ Cronyism vs. Economic Freedom

- What is Cronyism?
  - A system in which individuals, businesses, and interest groups use their wealth and political power to enrich themselves through government favoritism at the expense of ordinary citizens.
  - Politicians provide the government favoritism (e.g. subsidies, bailouts and sweetheart deals) in exchange for contributions, other forms of political support, and or personal enrichment.



# CRONYISM

- Cronyism vs. Economic Freedom
  - Harmful aspects of cronyism
    - Encourages productive people to devote time and resources to economically unproductive lobbying and rent-seeking.
    - It is a violation of justice. Cronyism is about unequal treatment before the law. The well connected are treated differently than everyone else.
  - Markets and economic freedom encourage:
    - Economically free economies are characterized by protection of property rights, even handed enforcement of contracts, and reliance on open competitive markets.
    - Such economies encourage wealth creation, provision of goods that are highly valued relative to cost, and cooperative interaction.



# CRONYISM

- Is the U.S. a free market economy?
- According to Jay Richards:
  - The U.S. is not a free market economy. It is characterized by widespread cronyism.
- Cronyism is soft tyranny
  - The subtle encroachment of regulations, subsidies, government spending, and other actions driven by favoritism are taking more and more control over peoples' lives.



# ECONOMIC FREEDOM AND THE RULE OF LAW

- Read: [The Declining Economic Freedom of the United States](#) by James Gwartney, Robert Lawson, and Joshua Hall
- Read: [Rule of Law–Economic Prosperity Requires the Rule of Law](#) by J. Kenneth Blackwell
- Watch: [Life Under Communism](#) with Jimmy Lai



# ECONOMIC FREEDOM AND THE RULE OF LAW

- Economic Freedom in the U.S.
  - Economic freedom is a primary source of long-term prosperity. Freer economies grow more rapidly and achieve higher per person income levels.
  - Throughout the 1980s and 1990s the United States generally ranked as the world's third freest economy, behind only Hong Kong and Singapore. By 2008 the U.S. had fallen to 10<sup>th</sup> and the slide continued in the years that followed. For the latest ranking visit [FreeTheWorld.com](http://www.FreeTheWorld.com)



# ECONOMIC FREEDOM AND THE RULE OF LAW

- Economic Freedom in the U.S.
  - The rise of cronyism and the deterioration of the legal system have made the United States less free.
  - Given the decline in economic freedom, the United States faces a future of slow growth, dependency on transfers and subsidies, and increased political favoritism.





# ECONOMIC FREEDOM AND THE RULE OF LAW

- Rule of Law and Economic Prosperity
  - Rule of law
    - The legal principle that law should govern a nation, as opposed to being governed by arbitrary decisions of individual government officials.
    - The laws apply equally to all regardless of their status or political position.



# ECONOMIC FREEDOM AND THE RULE OF LAW

- Rule of Law and Economic Prosperity
  - Free market economies require the rule of law
    - Market economies breakdown if the laws and regulatory rules are applied differently to individuals, businesses, and sectors of the economy.
    - Frequent changes in regulations and laws will retard investment.
    - Entrepreneurship, investment, and economic prosperity need the rule of law. They will not occur under the threat of confiscation from either the government or others.
- As government expands and becomes more actively involved in the economy, the rule of law tends to break down.

