FEE

Winter Notes

2023

Economic Lessons from First Libertarian President of Argentina Javier Milei

Bringing Capitalism to Venezuela

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A letter from FEE's

Interim President

Dear friends,

It's hard to believe that yet another year of defending liberty is drawing to a close. This year has brought unique challenges, as every year does, but in facing them, we have only strengthened our own resolve and commitment to teamwork.

I want to dedicate this issue of FEE's Winter Notes to the individuals whose stories, told in these pages, illustrate the "why" behind what we do every day.

These individuals, apart from being remarkable advocates for liberty, are also incredibly valuable members of our team.

It's truly inspiring to read about the events in their own lives that brought them to the liberty movement, from intellectual isolation at Harvard to designing a curriculum for the United States Air Force, to smuggling a suitcase full of economic literature across the Colombian-Venezuelan border.

We also share thoughts from one of our most captivating classroom speakers on personal empowerment and the value of entrepreneurship, as well as a prescient article about the resemblance between *Atlas Shrugged* and the trends we're seeing today in the migration of businesses and individuals.

Finally, we revisit some timeless economic principles from an online FEE lecture with Javier Milei, a political outsider, libertarian, and presidential hopeful in Argentina headed for a runoff election. Mr. Milei is a longtime friend of FEE, and we are excited to watch him raise awareness of the power of free markets and individual liberty.

This collection of stories demonstrates not only that we are well aware of the destructive character of collectivism, but more importantly that individuals–including the FEE staff featured here–can triumph with a strong commitment to liberty and hope.



Lawrence Reed

President Emeritus and Interim President
Humphreys Family Senior Fellow
Ron Manners Global Ambassador for Liberty

"I've always believed the best way to advocate for liberty is through unrelenting optimism, and I'm happy to share the source of that optimism with you in these pages.

We couldn't do this without your support.

Thank you,

Lawrence W. Reed

America's "Atlas Shrugged" Moment Has Already Arrived

New IRS Data Shows

by Jon Miltimore, Editor at Large

Last September, billionaire Ken Griffin announced he was pulling up stakes and moving Citadel—his gigantic hedge fund—from Chicago to Miami.

The Windy City was out of control, he told *Bloomberg,* something that dawned on him after a colleague made a coffee run and was robbed by a thief who put "a gun to his head."

It's no secret that Griffin's exit is part of a much larger migration taking place across America.

Data show that several populous blue states—California, New York, and Illinois among them—have been losing population and companies for years. In 2021 *Forbes* wrote about "leftugees" fleeing blue states for red ones.

A few years before that, a headline in *The Hill* touched on **"the great exodus out of America's blue cities."**





New IRS data, however, show the speed with which blue states are losing taxpayers—and their adjusted gross income (AGI)—is increasing.

A recent *Wall Street Journal* analysis found that more than 100,000 people left Illinois in 2021, taking with them some $11 billion in AGI, nearly double its 2019 total. For New York it was $24.5 billion, an increase of more than 150 percent from 2019.

California, meanwhile, saw its AGI loss ($29 billion) more than triple since 2019.

That people are migrating from these states is important.

But who is migrating is equally important, and the data paint a bleak picture for these states.

Taxpayers giving up on the Prairie State and the Empire State made about $35,000 more per year than new arrivals. For Florida, the data are even more stark.

The average income for a new arrival to the Sunshine State was roughly $150,000—more than double those leaving.

"In other words, the geese with the golden eggs are flying away," writes economist Daniel Mitchell, referring to the IRS data.

Going Off the Rails

Needless to say, these data do not bode well for the future of these states. But not everyone is concerned.

The Atlantic accepts the reality that a major migration is underway, one that undercuts the conventional wisdom that "Democratic states are the future," but rejects the idea that they are "dying."

"New York City isn't some dystopian wasteland where no one can see their future," writes Jerusalem Demsas.

Demsas may be right, but it's hard to deny there is a dystopian character to what we're witnessing in many major U.S. cities—including surging crime, failing schools, and social unrest.

Yet there are reasons to believe these problems are going to get worse, not better. Losing wealth-creators and affluent workers doesn't just affect the economic landscape. It also affects the political landscape.

In a recent *WSJ* op-ed, Allysia Finley pointed out this primarily works to the political benefit of public sector unions and welfare activists.

"Cities are losing the voters who keep their leaders from going off the rails," Finley writes, noting that Chicago Mayor Lori Lightfoot was defeated by mayor-elect Brandon Johnson, who ran to her left.

Johnson's margin of victory was relatively thin, some 20,000 votes. That's a fraction of the 175,000 people who left Cook County from 2020-2022, Finley points out, and it stands to reason that these are the very people the city needs to get back "on the rails."



One can see the cyclical nature of this phenomenon. As cities and blue states become more confiscatory and hostile to property rights, they drive out wealthier people and wealth creators. And as prosperous people leave, the politics become more confiscatory and hostile to property rights. And the cycle continues.

I Don't Put Companies in New York

There's something very Randian in this phenomenon. After all, the basic plot of *Atlas Shrugged* involves a small group of industrialists living in a dystopian future in which they struggle to keep their businesses afloat while fighting against an oppressive government and mooching politicians. Eventually they say to hell with it and walk away, taking with them their wealth, creativity, and innovations.

This is very similar to what we're witnessing, except that we're not talking about just a few rich industrialists like Dagny Taggart and Hank Rearden (two of the heroes of *Atlas Shrugged*).



It's not just the Ken Griffins who are leaving, but hundreds of thousands of wealth creators who are voting with their feet, and opting for greener pastures of opportunity.

This is a more realistic version of *Atlas Shrugged*. The novel was in many ways an epic mystery, Agatha Christie meets Cecil B. DeMille. People are disappearing, and we don't know why. As Taggart and Rearden struggle (and eventually form a love affair), we keep hearing about some mysterious figure: **John Galt.**

Eventually we of course learn that Galt is a disgruntled visionary and entrepreneur, and he's inviting the best and brightest in society to join him in abandoning the looters and leaving them to their own fate. He explains why in a long speech near the end of the novel, which touches on Rand's philosophy of voluntaryism, individualism, and capitalism.

> **"All the men who have vanished, the men you hated, yet dreaded to lose, it is I who have taken them away from you. Do not attempt to find us. We do not choose to be found. Do not cry that it is our duty to serve you. We do not recognize such duty. Do not cry that you need us. We do not consider need a claim. Do not cry that you own us. You don't. Do not beg us to return. We are on strike, we, the men of the mind. We are on strike against self-immolation."**

It's good story-telling, but it's not exactly believable. What we're witnessing, however, is: a mass movement of people who are tired of having the fruits of their labor seized to fund increasingly dysfunctional government systems.

We often forget that entrepreneurship is the lifeblood of an economy.

Societies without it wither away. And many of these states and cities have become hostile to entrepreneurship and wealth creation.

"I don't put companies here in New York anymore…or California," Shark Tank entrepreneur Kevin O'Leary recently told CNN.

"Those states are uninvestable. The policy here is insane. The taxes are too high."

As Griffin's exit from Chicago shows, it's not just high taxes that are driving people out of cities.

There are other costs—moral, social, and cultural—when you create communities that spurn property rights and celebrate looting.

IRS data only tell us so much. If you want to better understand those costs, pick up *Atlas Shrugged*.

REVOLUTION ON 1

Meet Tunji Adebayo

by Jon Miltimore, Editor at Large



In 2012, Tunji Adebayo's life was at a crossroads. He had graduated from the University of Georgia and was working with children at an after-school program while plotting the next chapter of his life.

He was considering getting a Master's Degree in education when he learned about the Teach for America program.

He decided to apply for the program, even though he wasn't yet sure where he'd be assigned or if the program was truly what he wanted.

"I said a prayer," Tunji said. "And I said, if I get Los Angeles in a high need area, then I'll go."

A few weeks later, Tunji was told he had been accepted into the program and assigned to a school in south central Los Angeles.

His prayer had been answered, one might say, and he followed through on his promise to himself.

Looking back on the move years later, Tunji recognized the importance of his choice. "One of the best decisions I've made in my life," he said.

After accepting the offer, Tunji would spend the next several years working at a pair of charter schools in southern Los Angeles, including a stint at View Park Preparatory Middle School at the famous intersection of Crenshaw and Slauson. (John Singleton's acclaimed movie *Boyz n the Hood* was shot in the Crenshaw neighborhood.) It was a job he took seriously, especially since many of his students faced challenges.

Many came from single-parent homes. Some were even homeless.



> **My approach was this: 'I have a responsibility to you. I refuse to give up on you,'" Tunji said. "That mentality helped me get into a different gear."**

Tunji makes it clear he wasn't motivated by simple altruism. He *wanted* to go to L.A., a city he had dreamed about since he moved to America with his Nigerian parents and eight sisters when he was five.

Moreover, he viewed his work as more than "giving back." Helping others was a way to improve himself.

"I told myself, if I can step into these schools and create a standard, I can do it anywhere," Tunji said. "This was one of the hardest things I've done in my life."

Over the next seven years, Tunji's experiences in the classroom would shape him into the man he'd become. He became a better leader. He learned how to address and resolve conflict. He sharpened his speaking skills, which had long been one of his passions. And he came to recognize the need in America was as much educational as material.

"It's amazing how few people understand the power of entrepreneurship," said Tunji.

"It's the best way to be free. How to create a life for yourself. Entrepreneurship is that way."

It was Tunji's love of entrepreneurship and belief in the power of the individual that brought him to FEE, in addition to his skills as a public speaker.

In 2022, Tunji joined T.K. Coleman and the rest of the Revolution of One (Rev1) team. He is now writing curriculum for Rev1 and speaking about the importance of entrepreneurship to young people in classrooms across America.

In his first year, Tunji has given speeches at schools in major U.S. cities ranging from Detroit, Oakland, and L.A. to Denver, Pittsburgh, Atlanta, and Houston.



He's also delivered messages in some of the poorest states in the country, including Mississippi and Arkansas.

"It's been amazing in terms of growth," said Tunji. "I felt a need to prove myself."

Tunji's work is only just beginning, and he's aware of how difficult it will be. But he understands that true change begins with the individual, which means inspiring one mind at a time.

Just like his own mind was inspired by the American Baptist minister and civil rights leader Benjamin E Mays.

"He once said, 'We are all created to do something unique, and something distinctive," Tunji said. "I believe that."

To that end, Tunji Adebayo will continue speaking in classrooms across the country about self empowerment, individualism, and entrepreneurship.

It's fair to say that many people would naturally shy from such a challenge, but not Tunji.

> **I've already been in the toughest places to teach,"**

Tunji told me. "And I didn't just survive, I thrived."





LiberatED with Kerry McDonald

Kerry McDonald

A Champion of the Education Revolution

by Patrick Carroll, Managing Editor

Kerry McDonald is not only FEE's Senior Education Fellow.
She is known throughout the liberty movement as one of the most passionate and influential advocates for education freedom.

Her interest in alternative education began in her senior year of college, when she witnessed a homeschool environment up close for the first time. "When I was able to shadow this homeschooling family, I was just blown away by education beyond a conventional classroom," she said in a recent interview.

What made her exposure to homeschooling especially compelling was seeing a direct contrast with public schooling at the same time.

"That same semester, I happened to be doing a student-teaching practicum in a local public elementary school which was the same age as these homeschoolers," she said. "And I just saw right up close for the first time this contrast between the conventional schooling that I had gone through and this creative, more personalized learning environment within the homeschooling family".

As a result of this experience, she became increasingly interested in education. After completing her economics degree, she went on to get a master's degree in education policy from Harvard University. Unsurprisingly, all four of her kids are in self-directed learning environments. "Having the city as our classroom" is her family's vision for education.



“FEE was my entrypoint into being able to connect the freedom philosophy with educational freedom specifically,” she said. “From there I was able to pursue my affiliations with the Cato Institute, State Policy Network, my Forbes column, and more.”

One of her proudest initiatives is her ***LiberatED podcast,*** which was launched in February 2022. “I had such a backlog about six months into that podcast of these entrepreneurs I was talking to that I ended up having to boost the podcast to twice a week,” she recalls, “and here we are more than 18 months into this and I still have a backlog.”

She says it’s been incredibly rewarding to hear the stories of education entrepreneurs starting new microschools and other alternative education options. The podcast has been tremendously successful, with 140 episodes and counting.

How did Kerry find her political philosophy? “It wasn’t until I went to Harvard that I became a libertarian,” she remarks with a laugh. She recalls a pivotal moment when she was in an education policy seminar in graduate school. The instructor told the class to break up into small groups and come up with policy recommendations for specific issues.

One by one, the people in her group articulated the same solution: raise taxes. When it came time for Kerry to speak, she objected. Other group members were startled.

“That was a real defining moment for me,” Kerry said. “I began wondering, ‘Am I alone in thinking this?

“There have to be other people who think this way,” she reasoned.

And after a brief search, she realized she was right. The people who thought like she did called themselves libertarians.

In addition to her articles, newsletter, and podcast, Kerry has also had the opportunity to work on some unique projects while at FEE. In 2019 she published her book Unschooled: Raising Curious, Well-Educated Children Outside the Conventional Classroom. The book chronicles the rise of the modern homeschooling/unschooling movement, and explores some of the different models people have pursued. The book soared in popularity during the Covid lockdowns and has inspired many to explore alternative education solutions for their families—or to become entrepreneurs and build alternatives for others.

In addition to inspiring families and educators, she also sees her role as connecting entrepreneurs with policymakers so that barriers to education freedom can be removed. “Education is such a highly regulated sector,” she notes. “So these education entrepreneurs in my mind are just rockstars.”

But barriers are starting to come down, she says. In fact, she has never been more excited about the future of education.

“We have so much personalization in every other area of our lives,” she says. “We decide what apps we want on our phones, we have personalized healthcare, we have all kinds of bespoke options and consumer choice in other parts of our lives, and yet in education many Americans are still largely constrained by a one-size-fits-all government-run assigned district school. And that’s changing now.”

The surge in interest in alternative education models that came with the Covid lockdowns has not died down as many expected it would. To the contrary, it is picking up steam.

“I think we’re just at the beginning of an explosion in education options,” Kerry says. The future in this space is indeed bright, in large part thanks to her tireless efforts.



A Conversation with:

Marianna Davidovich

FEE's Chief External Affairs Officer

FEE: I think the most unexpected thing about you is that you are originally from Ukraine and are first-generation American. Can you tell us about that journey?

Marianna: Yes, I was born in Ukraine, and my family was extremely fortunate to be granted exit visas as part of the reunification initiative for Soviet Jews. It was an enormous leap of faith to leave behind everyone we loved. My mom had to say goodbye to her parents and siblings, not knowing if she would ever see them again. We had no money, no language, no connections.

F: How long did it take to get to the U.S. and what did you do after you arrived?

M: After the tumultuous seven-month journey, we finally arrived in the United States in 1976, when I was still a baby. Although there was an extraordinary outpouring of support from the Jewish community, my parents rejected government welfare whenever possible and wanted to work and learn the ways of the West. We eventually started our own gymnastics business, which became one of the top training facilities in the country. I trained 30 hours per week as a high-level competitive gymnast and, as a young teen, began helping my parents run the family business.





"I'm not sure I would be alive today if we hadn't escaped from the confines of the Soviet Union, so it is with profound and eternal gratitude that I reflect upon the freedoms and opportunities this remarkable nation has given to me and my family and countless others. There is nothing more precious than freedom. It's what makes life worth living. It's really that simple."

F: So you were an entrepreneur living the American Dream, but I understand you joined the U.S. Air Force intelligence. Can you tell us more?

M: After high school, I wanted to serve my country; the country that gave my family freedom and a second chance at life. Initially, I was a Russian linguist since it was my native language. But it turned out I had a knack for curriculum development and pedagogy, which allowed me to create more impactful ways to train Department of Defense personnel with professional development.

F: A Russian linguist in the American Airforce?
We are sure you were not there to explain Dostoevsky…

M: Correct. I was part of the Air Intelligence Agency, but that part is classified.

F: What brought you to FEE?

M: In the late 2000s, I was dismayed by my children's charter school so I got elected to the school board and the local school advisory committee to enact positive change. I was also serving as precinct chair of the Republican Party, but encountering even more frustration in politics. After serving my two-year term fighting corruption, teacher abuse, and for a plethora of other reasons, I pulled my kids out to homeschool them. It was the best decision I ever made.

I would often teach my children at the public library so that they could meet other kids, and I offered my knowledge and experience in economics, entrepreneurship, and finance to other homeschool families in the community. Since I couldn't find adequate curricula, I created my own, which was eventually discovered by mutual friends from my political days who directed me to FEE.





F: How did you work for FEE and homeschool your kids?

M: I was doing what I loved and as long as I could work from home, I figured out how to make it work. In 2015, I was hired to manage FEE's Character and Values Initiative, which involved co-authoring FEE's first course teaching the morality of capitalism, called The Economics of Entrepreneurship.

The big question was how to reach minds unlike ours, so I began to strategize on various outreach tactics. I would take my children with me to homeschool conferences, where they would help promote the value of free markets, ethical entrepreneurship, and personal responsibility to other homeschoolers. They witnessed me giving presentations to parents and educators on the principles of free enterprise and the power of the entrepreneurial mindset. It was the best educational experience I could have given them and I have FEE to thank for that.

As a result, FEE infiltrated the homeschool market with over half our students coming from the homeschool community around the country, leading to the establishment of FEE's first outreach program.

F: You are now the Chief Officer of External Affairs at FEE. What does that mean in practice?

M: I write and speak at liberty and mainstream events to keep partners and the education community abreast of what FEE is doing in terms of products and programs.

I oversee more than 120 events per year where FEE is represented, ensuring that we have the right people at the right place for the greatest impact.

Representing FEE also allows me to keep a strong pulse on hundreds of organizations and their initiatives.

I love supporting liberty organizations as well as mainstream partners and philanthropists as we create and leverage high-value resources with greater efficiency and scalable impact.

I have the opportunity to meet extraordinary people everywhere I go, many of whom are educators. I established FEE's Teacher Advisory Board with teachers who were incredibly helpful in providing curriculum feedback when developing content for courses. With the guidance of one of those teachers, we created an on-demand platform aligned with the national voluntary standards for economics, which was extremely lucrative during the pandemic. There was so much excitement for this project, that we decided to further expand FEE by creating a teacher training department, now run by that same teacher with whom I initially contracted (Derek D'Angelo) to oversee teacher workshops in the classroom, virtually and on-demand through the Learning Center.





F: How do your skills and experience as an entrepreneur benefit FEE?

M: One of the biggest frustrations I've encountered in our liberty movement is the practice of "preaching to the choir" and reinventing wheels. Coming from the for-profit sector, I'm able to identify gaps and create opportunities where network partners can better collaborate with one another. I love helping FEE as well as our partners find solutions to their problems.

If FEE can't help them, I will connect them with someone who can. This strategy of building relationships is a genuine one because I want to see our movement succeed. I have a deep concern about the kind of world I'm leaving to my children and future generations, so I believe we must work together.

I also believe that we should think about managing organizations with the same level of efficiency and effectiveness typically associated with for-profit entities.



F: What are the most exciting projects you are working on?

M: Having dedicated three decades to diverse facets of the education sector, I have honed my insights into the intricacies of our challenges, the current state of affairs, and the trajectory of civil society and human achievement. In my opinion, education is at the root of our problems. Through compulsory education, totalitarian regimes successfully manipulated and controlled entire populations. To promote competition and a marketplace in education, I've written a landscape analysis called **"Disrupting the Coercive Government School System,"** thereby initiating a discourse on the profound importance of embracing free market principles as an essential catalyst for addressing the issues within our educational system.

F: You mentioned free market solutions to education, but what about educators who are currently teaching in the system?

M: Education is no different than other sectors, and having competition instead of a government monopoly is an imperative necessity. Having said that, we can't change the system overnight so one of the conclusions I discuss in my analysis is the need to support teachers who are in the system now. FEE has a great reputation as being a top-tier provider of educating young audiences, but that leaves an opportunity to further support teachers. That's why I'm working on a short book for educators, school board members, and politicians called ***The Buried Stories of Communism and Socialism.***

Unfortunately, history and literature are not taught properly, so historical facts are skewed and fundamental principles are lost.

I reveal the harsh history of totalitarian and authoritarian regimes to mainstream audiences in this short primer with powerful images.

I'm determined to expose the true history by appealing to the hearts and minds of parents, educators, and students.

The goal is that hopefully, readers will be able to clearly see the patterns that led to so many crimes against humanity and draw parallels to the suppression of individual liberty and government growth that we are witnessing today.

F: Who is your inspiration?

M: I often think about Leonard Read founding FEE in 1946 and his vision for imparting people with the ideals of classical liberalism. When making decisions, I think about his dedication to the movement and how he might go about strategizing solutions, surrounding himself with the most brilliant of people. I'm also inspired by Ayn Rand and the importance of having a philosophical grounding when thinking about the morality of capitalism, individual rights, the purpose of education, and how these ideas lead to prosperity and human flourishing. Additionally, I think about Lawrence (Larry) Reed and his ability to engage any audience with his impeccable knowledge in history and storytelling skills.

"Regardless of the message you wish to convey, if you do not genuinely exhibit interest, sincerity, and empathy toward your audience, they will not listen. I learned that in order to captivate your audience (whether it's one person or a group) you have to care. I care."

María Amaré: Bringing Capitalism to Venezuela

FEE: It sounds unbelievable, but did you really have FEE going into schools in Venezuela and talking about capitalism? How did you pull that off?

María: I must confess, gaining entry was no straightforward task. Initially, I approached schools with the pretense of "entrepreneurship discussions" to secure their consent.

Entrepreneurship happened to be a subject that Nicolás Maduro's regime actively promoted and endorsed, which somewhat facilitated our outreach to these schools. Nevertheless, we encountered obstacles, particularly in some staunchly socialist institutions where there were attempts to censor our programs during the sessions.

However, what's truly heartening is that the students themselves vehemently insisted on continuing with the classes.

To them, it felt like a breath of fresh air, the first time in a long while that they were gaining knowledge they considered genuinely useful for their lives.

Our most challenging moments unfolded in the schools situated along the Colombian-Venezuelan border. In these places, we not only grappled with the impediments posed by the socialist regime but also contended with the complexities introduced by the presence of irregular armed groups opposed to the principles of a free market.



F: Armed paramilitary groups? That sounds like it is straight from an action movie.

M: There are areas of the country, especially those near the border, that are run by guerrillas, paramilitaries, drug cartels, and other irregular armed groups.

In the case of the border with Colombia, it is controlled by the FARC (Revolutionary Armed Forces of Colombia) and ELN (The National Liberation Army).

Basically, if you want to leave the country, you have to pay them and let them check all your luggage. Once I crossed with a suitcase full of FEE material, including "I, Pencil" books, and the guerrillas almost confiscated them because they thought that the content was harmful to what they were doing.

F: You yourself are from Venezuela and lived there until very recently. What is life like there?

M: Living in Venezuela is incredibly tough. Imagine residing in a country where the basic monthly necessities cost over $500, while the minimum wage is a mere $4 per month – not per hour. This, coupled with widespread crime and a scarcity of opportunities, has driven over seven million Venezuelans to seek refuge in other countries, marking one of the most

devastating migration crises in recent history.

Medicine is either unavailable or is sold at sky-high prices. You go outside and you fear robbery, kidnapping or worse. You are a target for having a phone or a pair of shoes!

Reflecting on my time in Venezuela, two memories stand out:

In March 2019, we endured a national blackout for three agonizing days. It was utter chaos—stores and ATMs were totally inoperable. Many establishments refused even cash, and communication was severed as phone signals failed. Everything stored in your refrigerator was on the verge of spoiling.

Every time I had to leave or enter the country, it was a traumatic experience. Nicolás Maduro's regime isolated us, allowing international flight connections to just five countries. Land borders were sealed, forcing me to go through hazardous routes into Colombia, all while vulnerable to guerrilla groups and extortion attempts by the police.

F: You had to go through Colombia, just to go on a trip abroad?

Yes. I had to walk across the border to Colombia and catch a flight. And to get to the border, I had to take at least one flight and three buses.

Blackouts, internet outages, fuel shortages, and the absence of basic living conditions were the norm, not the exception. It was this relentless struggle that prompted me to leave my homeland in pursuit of becoming the best version of myself.



F: There were (and still are) people in the U.S. who cheered Hugo Chávez and what they called "21st century socialism." What would be your message to people who still think like this?

M: Think about it – if everything is truly as wonderful as you believe, why would millions of people risk their lives, leaving behind everything they know, to escape their own country? They go through unimaginable hardships, crossing multiple borders, walking thousands of miles, navigating the perilous Darien jungle, and even setting sail on treacherous waters.

Socialist propaganda is powerful because it appeals to our emotions, making us overlook common sense. It convinces us that Marxist policies are for the greater good, protecting us from perceived threats, even when those threats may not exist.

The United States, while not perfect, is undoubtedly the greatest country on Earth. Let's not allow it to follow the same devastating path as Venezuela.

In less than 30 years, Venezuela went from being one of the most prosperous nations in Latin America and the world to one of the poorest, enduring the most heart-wrenching migration crisis of our era.



Timeless Economic Principles from First Libertarian President of Argentina

Javier Milei

(Excerpted from FEE online lecture:
"4 Record-Breaking Economics Lessons")



The institutions of capitalism can be boiled down to five key principles. The first institution is what we know as private property.

The second is free markets, meaning markets without state interference.

Next is competition, but not the neoclassical concept of perfect competition. It's closer to Adam Smith's idea of competition, involving free entry and exit. This concept was further refined in recent times by William Baumol and the theory of contestable markets, which deals with market operations.

Lastly, there are two institutions related to the logic of the market: the division of labor, which promotes specialization, and social cooperation.

People are naturally diverse, and the larger the market, the more it promotes the division of labor. This division of labor fosters social cooperation. As Bastiat put it, "Where goods do not cross borders, armies will." In other words, societies that engage in trade tend to have more peace.





Essentially, what is a market? A market is a process of social cooperation where property rights are exchanged. This is where the definition of property rights and free, unregulated markets come into play.

The price system in economics is analogous to the nervous system in the human body. Now, it becomes crucial that markets are free. Why? Because when markets are not free and the state intervenes, the price signal starts to get muddied. When the price signal becomes muddied, the signal that travels through the system is unclear. When it's unclear, there is no coordination, no adjustment.

Moreover, many times when attempts are made to regulate these things, the result ends up being worse than the initial situation – the so-called market failure, which I don't subscribe to.

However, some, in their arrogance and lack of understanding of how the market works, accuse the market of not functioning. And when they attempt to correct it, the state's intervention often worsens the situation.

So, what's the point? The point is that the more state interference there is, the worse the price system functions.

This is a crucial element. Why is it so important? Because it explains why socialism doesn't work. In real socialism, in communism, there's no private property.

So, with no private property, exchanges lose their meaning. There's no concept of price. Consequently, there's no price signal to guide resource allocation. Therefore, socialism fails precisely because it can't perform economic calculations, and it can't do this because it doesn't respect property rights.

Another critical aspect of the functioning of the price system is the role of profits.

Profits are extremely important. Suppose we have an economy that produces goods A and B. For some reason, people decide to consume less of B and more of A. In this scenario, there will be excess demand in the market, causing the price of A to rise and the price of B to fall.

When this happens, resources will reallocate from the production of B to A.

We've seen this before, with how various governments worldwide have been meddling in the vaccine and testing markets. Why? Because they were tampering with the price signal. Instead of helping reduce scarcity, they were exacerbating it. What's more, in many cases, these activities were monopolized by the government, which, as we've already seen, does everything poorly because it spends other people's money on others, leading to inevitable inefficiencies.

Consider rent control laws. This has been attempted several times in many places. When you try to control rental prices, what will happen? It's quite simple.

On one hand, property owners will withdraw their properties from the market, which will exert upward pressure on rental prices, and in some cases, lead to a black market.



But it doesn't end there. If the regulator is efficient at pursuing property owners, what will happen? How will they adjust? They will adjust by deteriorating the quality of the properties. So, property quality will decline.

Thus, the supply of rental properties will worsen. Moreover, since the regulated price is below equilibrium, you'll have a situation where more people than normal are looking for rentals. This will result in severe shortages and create a massive problem.





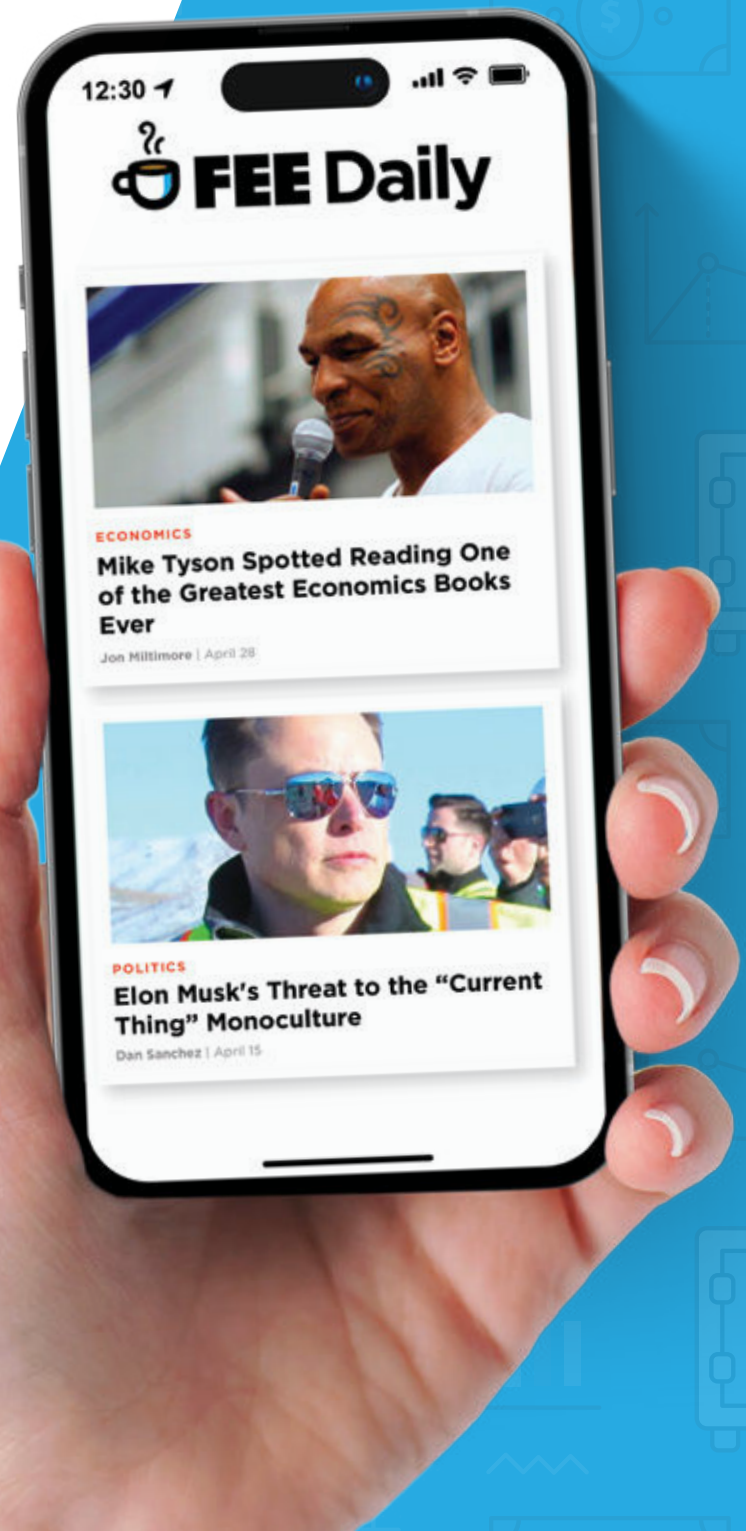
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