

- I. Review:
  - a. The Vision of Community  
(so far)
  - b. The Vision of “Freedom”  
(so far)
  - c. Smith’s Three Principles: Self-Interest, Specialization,  
Competition
- II. Justice in Production is Competition
  - a. Exactly the right things get produced
  - b. Value is expressed in price (not use)
  - c. Value is determined by the market
    - i. If demand is higher than cost, producer makes a profit;
    - ii. If demand is lower than cost, he takes a loss. So goods  
that should be produced are produced and goods that  
should not be produced are not.
- III. Justice in Distribution: The Market Why is it Just?
  - a. Accords with human nature: Markets arise spontaneously
  - b. Accords with freedom
    - i. Distribution is impersonal and takes place through  
exchange
    - ii. Distribution is voluntary and non-coerced
  - c. All parties to exchange will benefit
  - d. Private Property is respected and required
- IV. Effects of competition and the market in production and  
distribution: Freedom, Efficiency, Growth, and Social Welfare
- V. **Price as information about whether justice is done**
  - a. Price is determined by supply-demand ratio
  - b. no “just price” but rather a “market price”
  - c. Price is information upon which free choice is made
  - d. Exactly the right stuff in the right amount gets produced
  - e. The best information in political economy comes from  
markets, not philosophers, kings, the “general will”, bean  
counters like Bentham
- VI. Digression on Price and Value
  - a. From intrinsic value to labor value to exchange –market—  
value
  - b. Value is expressed as price

- VII. Who does NOT decide how goods should be produced and distributed? The State! Monopolies! They are unjust.
- a. Smith's Doctrine of "Laissez Faire"
  - b. Smith was not opposed to some government intervention in society
    - i. Protection against violence and invasion
    - ii. administration of justice—to protect competition and private property
    - iii. Creation of public institutions—public works (public goods)
    - iv. **The Big Enemy is not the state but rather state monopolies and collusion that distorts the market!**

"People of the same trade seldom meet together, but the conversation ends in a conspiracy against the public, or in some diversion to raise prices."

- VIII. Who Really DOES decide? The individual or The Market
- a. The market is self-regulating
  - b. The Market is its own "guardian"
  - c. It is the paragon of "freedom" but the strictest taskmaster
  - d. Is Economic freedom an illusion?
- IX. Case study: Is the Illegal Drug Trade unjust?
- a. Review competitive markets
  - b. Demand for illegal drugs is High and steady
  - c. Supply is abundant.....production costs low... processing is specialized
  - d. Market is large. Should price be high or low in a perfect competitive market for cocaine?
  - e. Illegality represses demand and supply, raising the price
    - i. Repressed demand distorts prices
    - ii. Hard-to-get drugs means demand is high but supply is restricted
    - iii. Which raises the price artificially
  - f. Is it rational to buy and sell cocaine?