

Letters: Payday loans & free markets

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Regarding the debate about payday lending: I'm a passionate believer in the free market. But there are some popular misunderstandings among free-market enthusiasts that actually weaken the idea.

One common misunderstanding is that because the free market system works, it has no victims and no evils and, therefore, needs no intervention from governments. But as a famous free marketer put it long ago, "There's a sucker born every minute."

Consequently, businesses arise that thrive only by exploiting the foolish, gullible and shortsighted. These kinds of businesses should be socially stigmatized if not restrained by government. The former is often the better solution.

But here we run into another popular misunderstanding—what, exactly, a "free" market is. On this subject I recommend J. W. Richards' *Money, Greed and God*.

A market is not actually free unless participants are able to make good-faith agreements based on accurate information and strong property rights—they don't get robbed or cheated. Without these protections, trade is not free, because those with the most power to steal and deceive exploit those with the least opportunity to see through their schemes. The market mechanism is thwarted.

Wise intervention by civil authority or social stigma—or both—are vital for

sustaining truly free markets. But us free market believers must always keep this in mind: There is no perfect system among humans. The free market has many flaws; it just happens to be superior to the alternatives.

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