A friend sent me this a couple of days ago:

"The Austrians Were Right" by Ron Paul

I've recently run across the Austrians a bit while listening to some podcasts on RAI3 from an economic conference held by Italian economists a couple of weeks ago in Italy. Most of these guys are not of the Austrian school, but in a little research on the ideas I've run across the Austrians a bit. It looks like interesting stuff.

One of the Italian economists, Leonardo Becchetti, described his idea of the market as a cartoon that he has in mind (no one has ever done it). In it a little guy named Market (Mercato) is being beaten up by two big brutes named Oligopoly (Oligopolio) and Informational Asymmetry (Asymmetria Informativa), while an intellectual observing the scene cries "Laissez faire!"

What I cannot understand is how a totally free market avoids exactly the cartoon scenario described by Becchetti. In other words, who/what insures a reasonably level playing field, when every tendency is otherwise? After all, Adam Smith has blessed selfish action for the last two hundred years, so market players are free to gain what advantage they can, however they can; one need not think at all about the other. A few of my outstanding questions follow.

First, how does a system prevent the emergence of a few powerful players that non only dominate but control the markets — not the regulators of a system, but the system itself? A free market by definition would seem to preclude the sort of regulation that would oversee the level playing field.

Second, not just informational asymmetry is a problem, but comprehensional asymmetry; in general a populace will not and cannot have either the comprehension or information to understand what market players are trying to put over on them to gain competitive advantage.

Third, how does one preclude industry influencing or outright regulating government to its own advantage, as happened in the CFMA and similar examples?

A fourth point, as much an observation as a question, is that there seems to be a new economic field called "behavioral economics" which considers psychology as well as a pure mathematical approach to economics. This is emerging to try and factor in that in some cases people do not act in their own best interest,
abundantly clear in the current economic squeeze. When do markets fail for reasons other than economic?