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The Conservative-Liberal Approach to Some Current Problems

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The Conservative-Liberal Political Tradition





The 3 Principles and the Unifying Theory

1. Private property
2. Free trade
3. Limited government

Hayek's theory of spontaneous order:

- Transmission of knowledge in time, between generations, by respecting venerable traditions
- Transmission of knowledge in space, between individuals and across borders, by accepting the price mechanism



Sound Money

- Inflation (and deflation) distorts information transmitted by prices
- Gold standard constrained governments, but no longer feasible
- Rules better than discretion. But rules will be bent and broken, as the ECB shows
- Only realistic measure: constitutionally guaranteed right of individuals to make their contracts in the currency of their choice
- The market then decides which currency is best
- Iceland has two currencies, indexed krona as unit of account and regular krona, as medium of exchange

Private Property

- Good fences make good neighbours
- Good fences also enable owners to make their gardens more productive
- Everybody's business is nobody's business, as disastrous CFP shows
- Iceland has a profitable and sustainable system in fisheries, based on individual transferable fishing rights
- Another example: elephants and rhinos; define property rights and allow trade; turn poachers into gamekeepers



Responsible Financial Markets

- Moral hazard: in a boom, you keep the profit; during a bust, you pass the loss on to taxpayers
- Privatisation of profit and nationalisation of loss leads to excessive risk-taking, recklessness
- In financial crises, bankers use depositors as hostages against governments
- The Icelandic solution: giving priority claims on bank estates to depositors and rejecting government guarantees of failing banks



