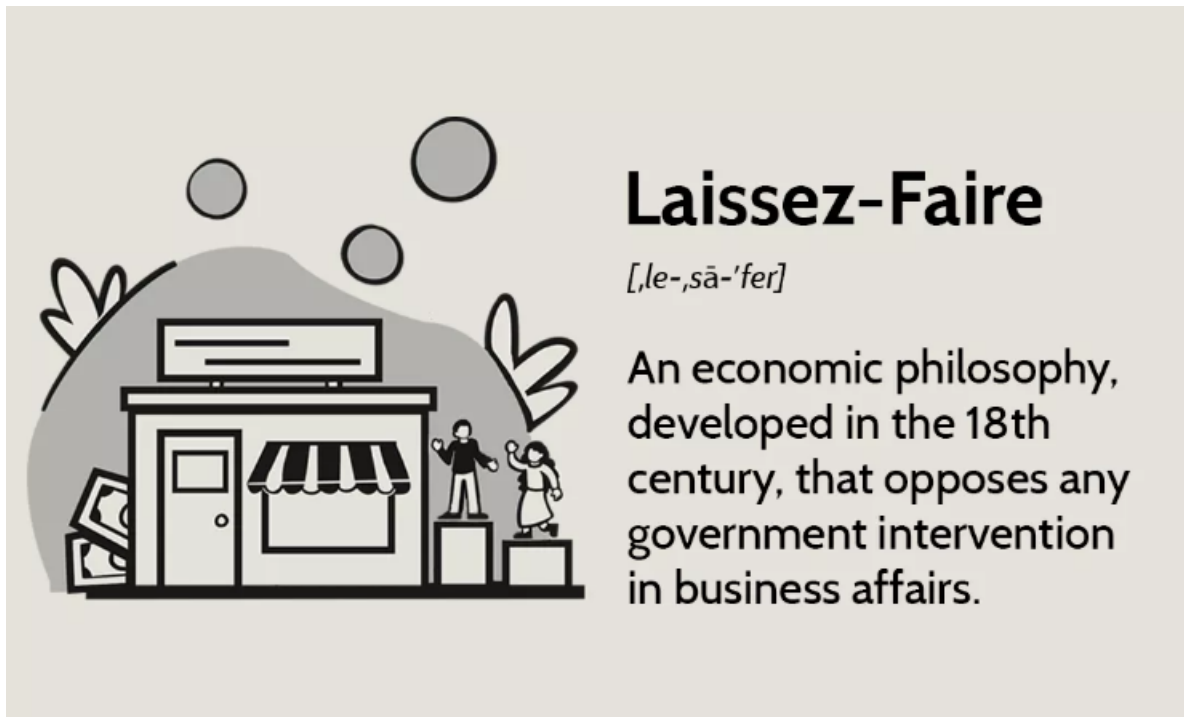


# What Is a Laissez-Faire Economy, and How Does It Work?



## What Is Laissez-Faire?

Laissez-faire is an economic theory from the 18th century that opposed any government intervention in business affairs. The driving principle behind laissez-faire, a French term that translates to "leave alone" (literally, "let you do"), is that the less the government is involved in the economy, the better off business will be, and by extension, society as a whole.

Laissez-faire economics is a key part of **free market capitalism**.

## KEY TAKEAWAYS

- Laissez-faire is an economic philosophy of free-market capitalism that opposes government intervention.
- The theory of laissez-faire was developed by the French Physiocrats during the 18th century.
- Laissez-faire advocates that economic success is inhibited when governments are involved in business and markets.
- Later free-market economists built on the ideas of laissez-faire as a path to economic prosperity, though detractors have criticized it for promoting inequality.
- Critics argue that markets do need a certain degree of government regulation and involvement.

## Important

Laissez-Faire is often associated with Libertarian views on the economy, where government plays an extremely limited role in the economy. In fact, one of the key characteristics of Laissez-Faire is that

the government should only be involved with the following three functions:

- Protecting the national borders via a standing army
- Protecting private property rights and personal freedom via a police force and judiciary
- Producing **public goods** that serve society (e.g., parks, libraries, etc.) that the market would not be incentivized to produce on its own
  - **Public goods** are commodities or services that benefit all members of society, and which are often provided for free through public taxation.
  - **Public goods** are the opposite of private goods, which are inherently scarce and are paid for separately by individuals.
  - Societies will disagree about which goods should be considered public goods; these differences are often reflected in nations' government spending priorities.



## Public Good

*[pə-ˈblik ˈɡʊd]*

A commodity or service that is made available to all members of a society, typically administered by governments and paid for collectively through taxation.