

Property Rights and Free Trade

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Introduction

Private property rights, individual liberty and free trade, are among the most important philosophical concepts and economic principles that need to be reasserted over and over. This is because their enemies – forced property collectivism, subsuming individual to collective liberty, and trade protectionism, respectively – never ceased to show up their ugly heads in many public policies and philosophical biases.

Forcibly collectivizing a private property into a “common property” discourages if not kills, hard work, ambition and efficiency by individuals. When the fruit of one’s hard work will also become the fruits of those who did not even work, then complacency, mediocrity and laziness will soon prevail in society.

Trade protectionism works in the same way: when production efficiency abroad resulting in better quality products and services at competitive and/or affordable prices are met by import restrictions at home country, then the local consumers are deprived of enjoying such production efficiencies. Their right to choose as consumers are greatly hindered.

Four of my recent articles in the online magazine, www.thelobbyist.biz are included in this compilation, one on property rights and 3 on free trade. These articles are also posted in my blog, <http://funwithgovernment.blogspot.com>. I hope this short compilation will help clarify certain issues on these two subjects that the forced collectivists and trade protectionists try to muddle that only results in one undesirable outcome: the curtailment of individual liberty.

(1) Property Rights and Lefts

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The ability to own or control, to keep or exchange, to sell or give away, a particular product or service, is one major indicator of how free an individual is.

For instance, a person owns a car but he believes or suspects that his car can also be claimed as a private property by other people, especially the bully and high-ranking government officials. The result is that he will have no peace of mind, always on his toes that his car can be taken or confiscated by other people any day and anytime. So he seldom uses his car, or he may have to hire a private security guard to help him guard his car. Lack of peace of mind means lack of energy to work productively and earn higher, while hiring a private security guard would mean higher monthly expenses and hence, lower disposable income and lower savings for the family.

Thus, societies that have well-defined private property rights and where the rule of law is properly and strictly observed, tend to have more economic stability. Consumers and producers, workers and entrepreneurs, have peace of mind knowing that whatever contract they will enter with other people within or outside the country will be honored and respected -- that whatever commodity or service they will buy or receive as grants from other people, will be protected as their own private property, and no other people can claim ownership or control of those commodities and services.

This philosophy and sentiment is captured by a Report released this week entitled "[International Property Rights Index \(IPRI\), 2009 Report](#)". This study is done and commissioned annually by the [Property Rights Alliance \(PRA\)](#) starting in 2007.

The 2009 IPRI Report compared the protections of physical and intellectual property to economic stability in 115 countries representing 96% of the world's GDP. The Report is a composite ranking of three comprehensive areas of property rights: Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR).

Among the general findings of the Report are the following:

- a. Countries that protect the physical and intellectual property of their people enjoy nearly nine times higher GDP per capita than countries ranking lowest in property rights protections.
- b. Of the 115 countries included, the top quartile averaged \$39,991 in GDP per capita while the average in the bottom 20% was only \$4,341 per capita. The second, third and fourth quartiles averaged \$23,982, \$11,748, and \$4,891 respectively. The nearly linear data trend shows that countries placing a high priority on property rights see increased economic security.

c. The result of scoring and ranking of each country and city, especially for Asian countries, is shown in this table below:

Table 1. Overall IPRI score and ranking, 2008

Rank	Country	Score		Rank	Country	Score
1	Finland	8.7		17	Japan	7.6
2	Netherlands	8.5		19	Hong Kong	7.3
	Denmark	8.5		24	S. Korea	6.8
4	New Zealand	8.3		29	Taiwan	6.5
	Sweden	8.3		36	Malaysia	6.2
	Germany	8.3		46	India	5.6
	Norway	8.3		51	Thailand	5.4
8	Switzerland	8.2		68	China	4.7
	Australia	8.2		71	Sri Lanka	4.6
10	Austria	8.1		74	Philippines	4.5
	Iceland	8.1		77	Vietnam	4.4
	Singapore	8.1		87	Indonesia	4.1

The Philippines had a respectable score in PPR (5.5) but was pulled down by a low score in LP (3.3), so that based on LP score, the Philippines ranked 95th out of 115 countries!

It is not healthy therefore, for an economy to embrace left-leaning policies that attempt to disrespect individual talents and performance, and forcibly collectivize things.

Property rights is not a result of positive accidents that allowed the rights owner/s to own and control something without hard or meaningful work. Neither is it a privilege that was bestowed by the gods of the earth to their current right owners. Leftism cannot guarantee the respect and expansion of private property rights.

(2) Liberty and liberty forum

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Liberty is a philosophical concept often associated or deemed synonymous with freedom, democracy and sovereignty. But while freedom can be a close synonym of liberty, democracy and sovereignty may not be. This is because liberty has two wide connotations: collective liberty and individual liberty. Democracy (the will of the majority) and sovereignty (freedom from foreign colonialism or domination) therefore, connotes more of collective (national, regional, community) liberty and cannot be a substitute for individual liberty.

This distinction is very important because most -- if not all -- public policies and institutional or organizational tools and rules that oppress or harass the individual, are done in the name of the collective, in the spirit of “country/nation first before self” or “community first before the individual”.

There is one case though, when collective liberty can be equivalent to or synonymous with individual liberty: when the collective is done or aggregated in a voluntary way, and not forcibly imposed. Examples of voluntary collectivism are civic organizations, sports clubs, neighborhood associations, among others. Here, individuals join voluntarily, or were invited and sponsored by their close friends or associates, and individuals have the option or freedom to get out of such collective. And the voluntary organization or collective can possibly die when it no longer enjoys the support of its members. This is also the essence of “civil society”.

When a collective is done forcibly, ie, individuals are mandated or coerced to belong to a collective, this is considered “forced collectivism” and cannot be considered as synonymous with individual liberty. The single biggest example of forced collectivism is Government (local or national). There are plenty of public policies that assert or impose forced collectivism, foremost of which are the various taxes and regulations, restrictions and prohibitions unless those regulated will first secure the approval and signatures of the regulators.

In many lectures, symposia and conferences on economics, business and politics, the primacy of individual liberty and the dangers of imposed collectivism are hardly mentioned, or none at all. The mere absence of this reminder or distinction already reflects the triumph of forced collectivism in the minds of the public.

Thus, if one finds a symposium or conference where the primacy of individual liberty is often mentioned, if not made a central theme of the activity, one is considered very lucky.

The annual “Atlas Liberty Forum” by the Atlas Economic Research Foundation (www.atlasnetwork.org) can be considered as one of those very few conferences around the world where individual liberty and the importance of free market is a constant central theme. Some panel discussions that mention collective liberty refer to the voluntary collectivism strand.

When I and a few friends in Manila formed “Minimal Government” around February 2004, we knew that we were free marketers, we knew that we believed in “minimal government = minimal taxes = minimal bureaucracy”, but we did not realize much the distinction between individual and collective liberty, we did not know much about the free market and liberty movement around the world, we barely knew any free market-oriented think tank or institute outside of the Philippines.

These all changed, almost abruptly, when Atlas offered me an international fellowship in April 2004. There were several activities for an international fellow, one of which

was attend the “Atlas Liberty Forum”. It was the 4th liberty forum and held in Chicago. That was my first “baptism” of what a liberty forum looks like, and a wide world of free market-oriented independent think tanks from many countries and continents around the world slowly unfolded before my eyes.

The forum and various panel discussions were very helpful and educational, but the most important aspect of the activity that I later realized, was the “liberty networking”. *First*, my roommate in the hotel would turn out to be among my closest friends in the liberty movement, Mr. Barun Mitra, founder and Director of Liberty Institute in Delhi, India. *Second*, a number of new friends and allies that I met there five years ago, especially those from Asia, I would meet in other succeeding international and regional conferences and meetings; or at least correspond regularly by email. And *third*, collaborative work and campaigns among ally think tanks would soon be initiated and sustained.

My second attendance of the Atlas Liberty Forum was in Atlanta, Georgia, April 2008. This time, I was a confident participant who knew a number of other international and American participants and speakers. And this time, my interest was more on the panel discussions on fund-raising, though the discussions on liberty issues, like the panel on “Promoting freedom in difficult countries”, were also very informative.

Any serious liberty-oriented think tank or political movement needs substantial financial resources, for obvious reason. But a more specific reason not known to many people, is that more serious free marketers do not solicit or accept any government money (local, national or inter-governmental/multilateral) or funding from any political party, to keep and sustain their full independence from governments and political parties. Whereas most think tanks and political groups, including many NGOs and civil society organizations (CSOs) get substantial funding from governments, inter-governmental or multilateral institutions, and political parties.

Thus, fundraising is a recurrent topic in every annual Atlas Liberty Forum. This coming Liberty Forum will be held in Los Angeles, California, April 24-26 of this year.

Participants of this forum, as well as symposia, training and conferences by allied think tanks and institutes, are constantly reminded, explicitly or implicitly, that they are fighting for a society, they are envisioning a world, where the individual is not taken for granted or oppressed, in the pursuit of collective freedom and economic development.

(3) Free trade and world peace

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Today, leaders of the world's largest economies, both rich and developing, will meet in London to "save" the world economy in general, and their respective economies in particular.

The G20 summit is a high profile meeting; there are lots of demands and expectations, lots of lobby interests to be resolved and pleased. Among such groups are the protectionists and anti-free trade interests.

This group reasons out that since the economy is bad and lots of jobs have been lost and are threatened to be lost further, consumers should patronize locally-made products and services. The group further posits that governments should reduce, if not prevent, huge importation of competing goods and services made from other countries. This way, local jobs will be preserved and/or created, and the economy will recover.

There is one huge fault in this kind of reasoning: It does not recognize that people trade with each other voluntarily because they realize there are "net gains" for them. By choosing the best quality product (raw material or final consumer item) at the lowest price possible, a consumer benefits. By having huge number of potential buyers, a producer continuously improves on his product or service to please consumers who want the "best product at the lowest price possible".

The [International Policy Network](#) and the [Atlas Global Initiative](#) teamed up to launch the [Freedom to Trade Coalition](#) (F2T) and the Free Trade Petition to pressure G20 leaders not to give in to strong protectionist moves in their respective countries and regions.

When the Petition was launched in London yesterday, it has attracted more than 2,000 signatories from many countries around the world. The Petition categorically declares the following, among others:

“Trade’s most valuable product is peace. Trade promotes peace, in part, by uniting different peoples in a common culture of commerce – a daily process of learning others’ languages, social norms, laws, expectations, wants, and talents.

Trade promotes peace by encouraging people to build bonds of mutually beneficial cooperation. Trade unites the economic interests of the peoples of all nations who trade with each other.

A great deal of rigorous empirical research supports perhaps the most tragic example of what happens when the proposition that "trade promotes peace" insight is ignored is World War II.

International trade collapsed by 70% between 1929 and 1932, in no small part because of America's 1930 Smoot-Hawley tariff and the retaliatory tariffs of other nations. Economist Martin Wolf notes that "this collapse in trade was a huge spur to the search for autarky and Lebensraum, most of all for Germany and Japan."

The most ghastly and deadly wars in human history soon followed."

A number of leaders of member-institutes of the F2T Coalition – including this writer – believe that for free trade to succeed, it should be done unilaterally. Problems arise when people accept the idea that countries should first restrict trade, and then negotiate for some alleged reciprocal benefits, because this legitimizes the role of the State in trade. Countries and governments do not trade with each other; people do. So governments have no legitimate role in restricting or negotiating trade.

Unilateral free trade means that business and political leaders of an economy simply declare, "We want more choices of goods and services from anywhere. Come bring them here, zero (or near-zero) tariff, zero or near-zero non-tariff barriers, and very little bureaucracy (trade facilitation)." Hong Kong does that. North Korea and Myanmar do not do that.

Meanwhile, the US President, the British Prime Minister, and other G20 leaders are busy convincing each other and the public that the world needs now more deficit spending, more borrowings, and more government debts, to "save" the world economy. Huge debts of the past were not enough; they need even bigger debts and bail-outs.

But some European leaders prefer equally threatening moves like the creation of a new global financial regulation framework or mechanism. One such mechanism is large-scale harassment of so-called "tax havens". The US, EU, Japan, and other rich countries that are on the "more-debts-more-bail-outs" train know perfectly that they are heading to the "more-and-higher-taxes" direction, to pay past and present debts. Hence, economies that offer some "tax relief" to global corporations should be pounced. Everyone should pay the high cost of "saving" the global economy, now and in the future.

At the end of the day, people around the world only need free trade, bigger choices of which products and services they will buy or not buy, of which type of employment arrangement they can accept or reject, and of which technology they will need or ignore. People do not need more deficit spending and more debts by governments. They do not need more financial and economic regulations. They do not need more aid or government-to-government transfer of taxpayers' money.

People need greater control of their own lives. They need global peace to allow them to pursue their professions, to pursue their business and consumer interests, with the least taxation, regulation and intervention by governments and bureaucrats possible.

(4) Free trade and liberty forum

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Los Angeles, CA – Trade is the process or mechanism by which people can sell their extra output of goods and services, use the money from such sale to buy the extra goods and services by other people that they need for their household and work needs. Thus, a rice or chicken farmer can sell their extra rice or chicken to other people, they use the money proceeds of such sale in order to buy fuel or spare parts for their hand tractors or fertilizers or animal feeds, to buy new dress, shoes and school supplies for his children, to build a new or repair and old house, to buy beer and pork barbecue, and so on. This important and common sense function of trade and voluntary exchange, is the main reason why trade should be left unrestricted, why trade should be as free as possible.

Unfortunately this thinking is not shared by certain sectors of our societies. There are many alibis against free trade, foremost of which is that it steals local jobs. By buying goods made abroad and imported into the country, local manufacturers are deprived of additional revenues, some of them will close shop, resulting to job lay-offs and hence, higher unemployment, higher poverty.

Fighting trade protectionism is among the panel discussions tackled in the recently concluded “Atlas Liberty Forum” held at Hyatt Regency Century Plaza, Los Angeles, California, April 24 to 25, 2009. It was sponsored by the Atlas Economic Research Foundation. Atlas gave me a travel scholarship and hotel accommodation, that is why I was able to attend this event, and I was the only Filipino among nearly 300 participants from more than 30 countries around the world.

The speakers from this panel were Alec van Gelder from International Policy Network (IPN) in London, Dan Grisworld from Cato Institute in Washington DC, and Seyitbek Uzmanov from Central Asia Free Market Institute (CAFMI) in Kyrgyztan. The panel moderator was Tom Palmer, the new Atlas VP for the Atlas Global Initiative.

Mr. van Gelder talked about the global campaign for free trade initiated by Atlas and IPN, the Freedom to Trade coalition that has attracted the participation of about 70 independent institutes and think tanks from nearly 50 countries, among others. Mr. Grisworld talked about the various tariff and non-tariff barriers that the American protectionists have put up against certain imported commodities, to the disadvantage of American consumers who have to pay higher for otherwise cheaper goods made abroad. And Mr. Uzmanov talked about the free trade coalition they are building in Kyrgyztan with a single mission: to make their country the “Dubai of central Asia” within the next 2 to 3 years.

This goal by CAFMI is indeed laudable and ambitious, despite the fact that it is a very young think tank and its two top leaders are young too, only in their mid-20s. I asked

them why they chose Dubai as their model for free trade when Hong Kong is more famous in having a unilateral free trade policy, they replied that many people in their country do not know Hong Kong much while Dubai is more known to them. Hence, the “Dubai inspiration” for a unilateral free trade project.

There were many other interesting panels in the Atlas Liberty Forum, like “The financial crisis and the attack on sound money” and “Fund raising” for free market think tanks.

Trade protectionism is one aspect of dictatorship. The protectionists and their implementers in government dictate to the consumers what goods and services they can or cannot buy from abroad, if allowed to import, by how much quantity, from where and at what price. People just do not realize the dictatorship aspect of trade protectionism.

There is a new shade of protectionism that is recently shaping up: green or eco-protectionism. This type of protectionists argue that while rich countries keep their environment clean and refrain from using dirty and highly polluting technologies, the producers from poorer countries do not. Thus, the goods are produced cheaply there because they are using old and dirty technologies, they do not strictly control air quality in manufacturing plants, and such production processes emit plenty of carbon dioxide into the atmosphere, which contributes to greenhouse gases (GHGs), which contributes to global warming and climate change.

The solution therefore, is to impose a “carbon tax” on imported manufactured goods from poorer countries that do not strictly limit their carbon emission. This tax is meant to “compensate” for the use of dirty manufacturing technologies that “contribute to global warming”, resulting in lower amount of importation (since the imported goods have become more expensive), lower amount of carbon emission in the world.

This reasoning is faulty on two counts. One, it is wrong to restrict international trade because it reduces or kills the right of choice of the local consumers. And two, it is wrong to blame carbon dioxide as the “cause” of global warming. See my article last week on this, “Cooling reality vs Warming politics.”

It is important that Atlas continues holding its annual Liberty Forum because the forum helps not only to discuss and clarify certain issues that affect the world, issues that affect the individual liberty of people around the world. The forum also allows liberty fighters to network with each other, to learn from each other.