
Financial turmoil and Personal responsibility: The MG Perspective

Bienvenido “Nonoy” Oplas Jr.

Bedan Advocacy and Consciousness
Enhancement Society (BACES) Forum,
San Beda College, Manila
January 29, 2009



Introduction: Is Capitalism dying?



Yes, **IF** yahoo, google, facebook, friendster, blogger, open source systems, etc. are all closing down. These are all capitalist inventions, zero government funding or subsidy, they provide free services to millions of people, and still make millions of \$ of revenues elsewhere.

The US and the world is getting more Statist



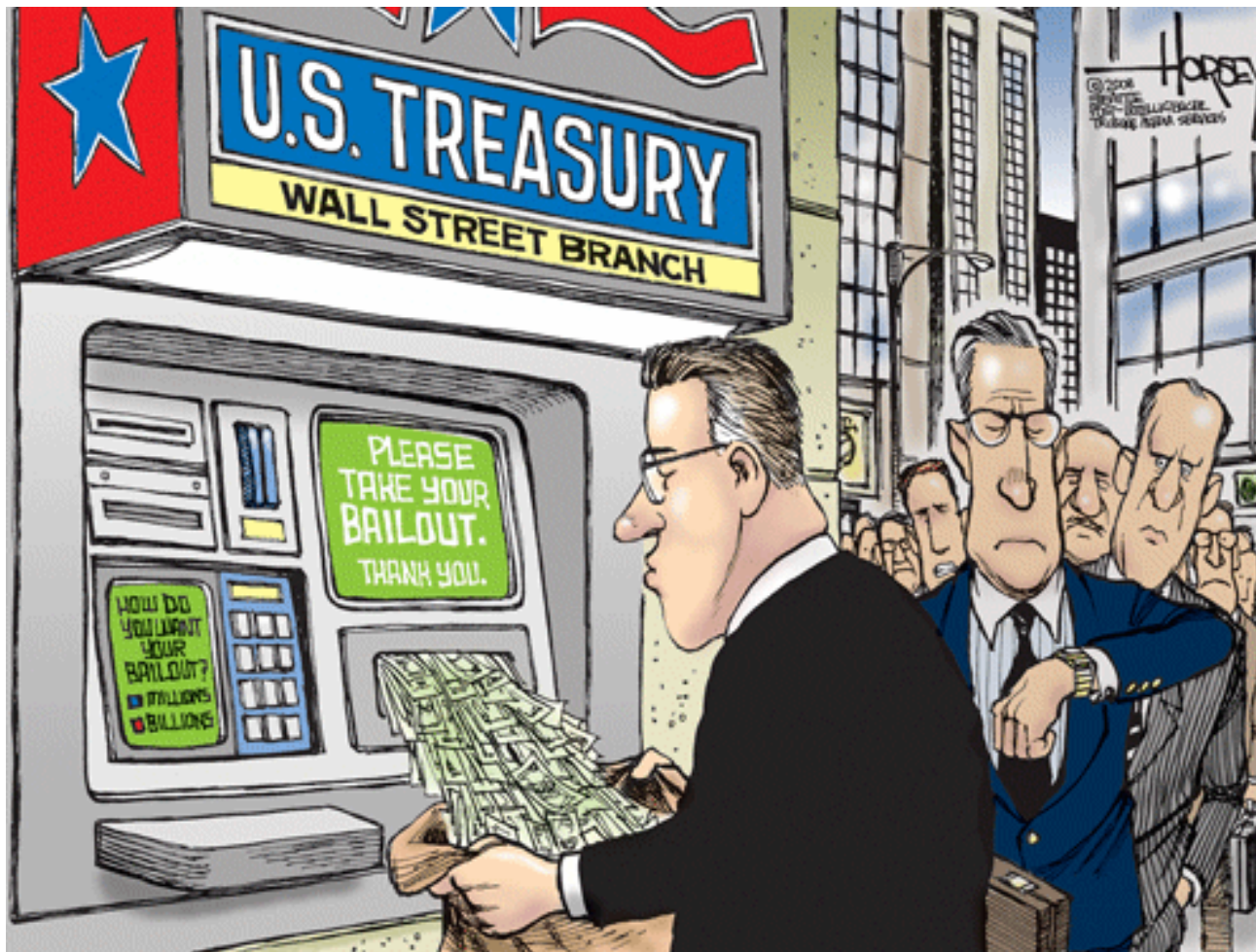
Bail-outs:

Bush 2008:
\$700 billion

Obama 2009:
\$819 billion
+ additional
\$xx B later?

Obama 2010:
\$xx billion?

Bail-out for Wall Street



***Budget Deficit,
Federal govt
alone:***

2008, \$1 trillion

2009, \$1.2
trillion

Of w/c Federal
spending will be
\$3.54 trillion,
equiv to
combined GDP
of Italy and
Russia in 2007

Bail-out for Detroit



You wouldn't buy our shitty cars.

So we'll be taking your money anyway.

The Bailout. Coming this January.

You probably thought it was smart to buy a foreign import of superior quality, with better mileage and resale value. Maybe you even thought that years of market share loss might prod us into rethinking our process and redesigning our products with better quality in mind. But you forgot one thing: We spend a shitload of money on lobbyists. So now you're out \$25 billion, plus the cost of your Subaru. Maybe next time you'll buy American like a real man. Either way, we're cool.

We're The Big Three. We Don't Need to Compete.™

You probably thought it was smart to buy a foreign import of superior quality, with better mileage and resale value. Maybe you even thought that years of market share loss might prod us into rethinking our process and redesigning our products with better quality in mind. But you forgot one thing: We spend a shitload of money on lobbyists. So now you're out \$25 billion, plus the cost of your Subaru...



We're the Big Three.



We Don't Need to Compete.

Is US and world capitalism really deregulated?

- “Every crisis has led to thousands of new pages of regulation. Why is it that regulation doesn't stop crises from happening again?”
- US federal institutions in Washington, DC, 12,113 individuals working full time to regulate the financial markets. What did they do with the powers they had?
- The next possible crisis and its causes are so far unknown, and our regulations may have no effect or even make them worse...”

-- Johann Norberg

US government intervention in housing credit

- 12 October 1977, US President Jimmy Carter signed the 'anti-redlining' law (Community Reinvestment Act). Before then, lenders generally denied loans to people in poor neighborhoods.
 - But the politicians – with good intent – wanted to make home ownership available to all Americans. So lenders were forced into giving out risky mortgages: what we now call 'sub-prime' loans.”
-

Community Reinvestment Act

- the law “compelled banks and other lenders to loan money and grant mortgages in areas where they’d have never dreamed of making such loans, due to exceptional risks of default. Banks were denied charters for growth and geographical expansion if found by regulators to be out of compliance with these politically-correct regulations.”
-

Fannie Mae and Freddie Mac

- Government enterprises with the implicit and lately explicit, function to guarantee risky mortgages.
 - Freddie and Fannie made investors believe that the bad mortgages they made were guaranteed by government, creating a “moral hazards” problem wherein complacency can be rewarded with bailout, not penalized with bankruptcy
-

“America's \$53 trillion debt problem,”

by David Walker

- “The nation's real tab amounted to \$53 trillion as of the end of the last fiscal year (September 30, 2007). That was the sum of our public debt; accrued civilian and military retirement benefits; unfunded, promised Social Security and Medicare benefits; and other financial obligations...
 - The rescue package and other bailout efforts for Fannie Mae, Freddie Mac, AIG and the auto industry, escalating operating deficits, compounding interest and other factors are likely to boost the tab to \$56 trillion or more by the end of this calendar year.”
-

Major net exporters and importers of capital*, 2007:

Net exporters	% share	Net importers	% share
1. China	21.3	1. US	49.2
2. Germany	14.5	2. Spain	9.8
3. Japan	12.1	3. UK	8.0
4. Saudi Arabia	5.5	4. Australia	3.8
5. Russia	4.4	5. Italy	3.5
6. Switzerland	4.1	6. Greece	3.0
7. Norway	3.4	7. Turkey	2.5
8. Netherlands	3.0	Other countries	20.2
9. Kuwait	2.8		
10. Singapore	2.2		
Others			

What's Big Government?



www.CoxAndForkum.com

- Regulations and prohibitions
- Certifications and authorizations
- Permits and licenses
- Bureaucracies
- Taxes and fees
- Charges and penalties

MG Thinkers' Core Advocacies:

1. Small and limited government

- a. Main function of government – protection of the citizens' 3 basic rights:
 - * right to life
 - * right to private property (ownership & exch.)
 - * right to liberty and self-expression
 - b. Secondary function – provision of certain public goods, like roads and public works.
 - c. Many other functions are tertiary if not unnecessary, give more functions to citizen voluntary and self-administration
-

Bureaucratic government: Ease of Doing Business, 2008

Economy	Overall Rank, Ease of Doing Business	Rank in Starting a Business	Economy	Overall Rank, Ease of Doing Business	Rank in Starting a Business
Singapore	1	10	China	83	151
HK	4	15	Brunei	88	130
Japan	12	64	Vietnam	92	108
Thailand	13	44	India	122	121
Malaysia	20	75	Indonesia	129	171
Korea	23	126	Cambodia	135	169
Taiwan	61	119	Phils.	140	155
Pakistan	77	77	Lao PDR	165	92

Source: WB-IFC annual report, "Doing Business", 2009 Report.

2. Small and few taxes (because job creation and entrepreneurship is not a crime)

Economy	No. of tax payments per year	Total Tax Rate, % of com'l profits	Economy	No. of tax payments per year	Total Tax Rate, % of com'l profits
Hong Kong	4	24.2	Taiwan	23	40.4
Singapore	5	27.9	Cambodia	27	22.6
China	9	79.9	Vietnam	32	40.1
Malaysia	12	34.5	Lao PDR	34	33.7
Japan	13	55.4	Pakistan	47	28.9
Korea	14	33.7	Phils.	47	50.8
Brunei	15	37.4	Indonesia	51	37.3
Thailand	23	37.8	India	60	71.5

Source: WB-PWC, "Paying Taxes 2009" Report.

3. Free market, free trade

- Markets are composed of individuals, households and firms; producers and consumers; capitalists and workers; employers and unemployed, big and small.
 - Hence, free markets = free individuals
 - There is “net gains in trade”, otherwise people will not trade with each other: teachers trade their services for food; farmers trade their food for books and clothing, etc.
 - Commodities and people mobility across the world; Mobility = freedom.
-

4. Personal responsibility

- Health care is personal and parental responsibility. People cannot drink every night, smoke 2 packs a day, eat fatty food daily, become drug addicts or get involved in frequent fights, then demand later that they have a “right to quality health care”
 - Education is mainly parental responsibility, not government’s. People cannot have plenty of children and be lazy and irresponsible, arguing that their children’s education is State responsibility.
 - And many others: housing, nutrition, pension, retirement.
-

5. Private property rights

- Private property – the cornerstone of a free society. No private property rights, no peace of mind, social uncertainty. “Tragedy of the commons”.
 - Physical property rights – protected by old and traditional laws
 - Intellectual property rights (IPR) – new and controversial, and IPR confiscation in the name of “national emergency” is a big issue
 - Ex: Cheaper medicines law (RA 9502): Compulsory licensing, government use, parallel importation, early working, etc.
-

6. Rule of law

- Law = prohibitions, a system of NOs and DON'Ts

Ex. There are laws against air pollution, but no laws against breathing

- Rule of law = no one is above the law; no one can grant exemptions to the law
 - Any exemption to the law = rule of men; men make laws & prohibitions that apply only to other people, exempt those who made and administer the laws.
 - Equal application of the law to unequal people
 - Unequal application of the law to force equality among men is tantamount to rule of men.
-

Concluding Notes (1)

- Capitalism without failure is like religion without sin. Or like Christianity without hell.
- Market failures always create opportunities for market solutions and market self-correcting mechanisms.

- “We caution against any direct intervention by government. Governments are terrible at allocating resources and their attempts to boost economies will almost certainly backfire.
 - The best way to stimulate the economies of the world would be to reduce the number of overbearing taxes and regulations that currently inhibit the development and delivery of all manner of products and services.”
- Morris and Stacey, *“How not to solve a crisis”* 2008)
-

Concluding Notes (2)

- Sustainable social progress requires responsible citizens who will take care of many of their needs and aspirations
 - Work is the lifeblood of society; Tax is the lifeblood of government. For society to progress, work should not be taxed (or keep taxes very low)
 - Inequality may sound immoral, but it's the only way to allow individual liberty and encourage personal responsibility
 - Free market = free individuals; Mobility = freedom
 - Property rights = freedom
 - Rule of law = no exception
-

Thank you!

Inquiries:

www.minimalgovernment.net

nonoy@minimalgovernment.net
