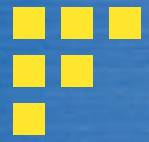


Individual Rights, Property, and Free Markets

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Let's Recall the Scope of the term "Property"

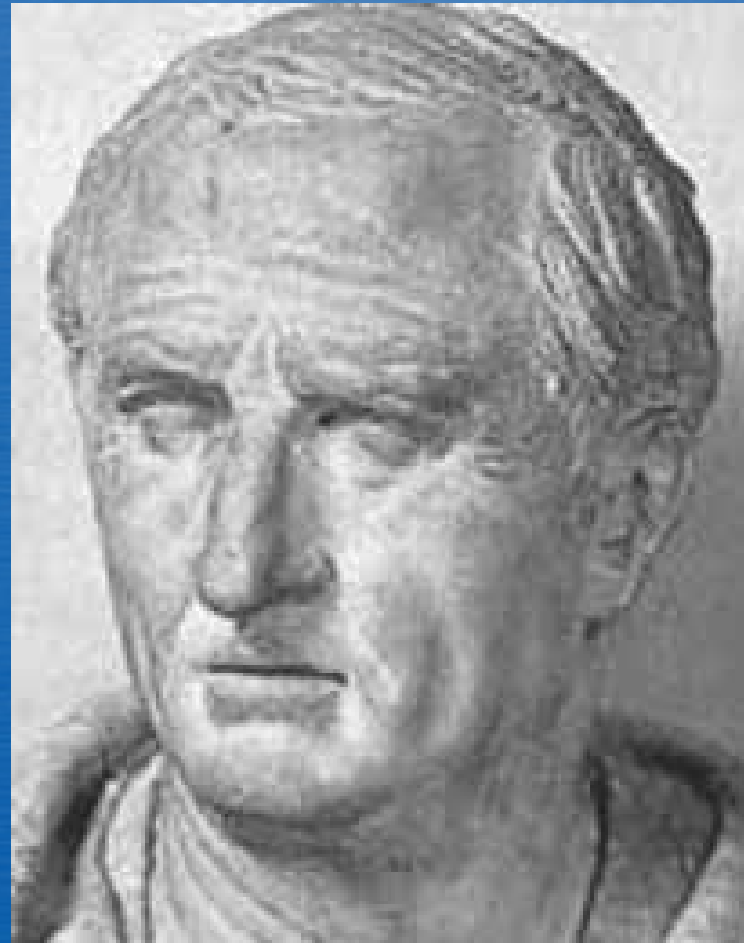
“to preserve his Property, that is, his Life, Liberty, and Estate....”

--John Locke, *Second Treatise of Government*, Chap. VII, § 87



Moral Foundations of Property in The Law of Nature

- “We are all constrained by one and the same law of nature; and if that is true, then we are certainly forbidden by the law of nature from acting violently against another person.”
 - Cicero, *De Officiis*, III, 26-27



Emergence of Modern Doctrine of Individual Rights

- “I maintain, therefore, that dominium, possession, and jurisdiction can belong to infidels licitly and without sin, for these things were made not only for the faithful, but for every rational creature as has been said.”
 - -- Pope Innocent IV, *Decretales*, 3.34.8, c. 1250




Rights Are Grounded in Recognition of our Dominium (Latin) or Autonomy (Greek) – Our Power to Choose for Ourselves



- “Ownership” [dominium] is used to refer to the human will or freedom in intself.... For it is through these that we are capable of certain acts and their opposites. It is for this reason too that man alone among the animals is said to have ownership or control of his acts; this control belongs to him by nature, it is not acquired through an act of will or choice.”

- -- Marsilius of Padua, *Defensor Pacis*, 1324

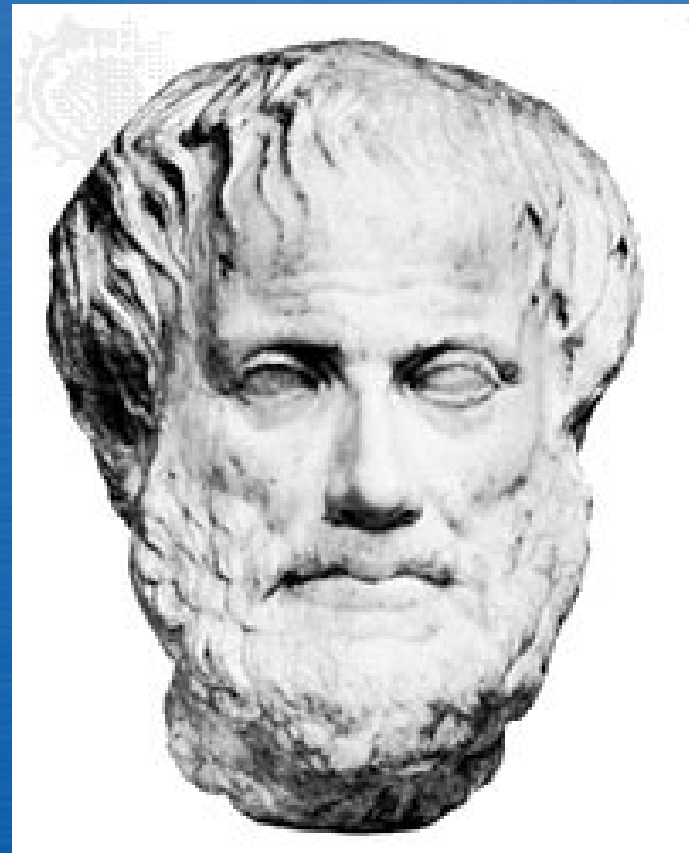


2. Welfare Rights Destroy the Relationship Between Justice and Rights

- The word “RIGHT” is used in two senses:
 - **Objective** Right (what is the right thing to do or to be done)
 - **Subjective** Right (what you have a right to do or to have done)
 - The Classical Liberal Approach Connects the Two

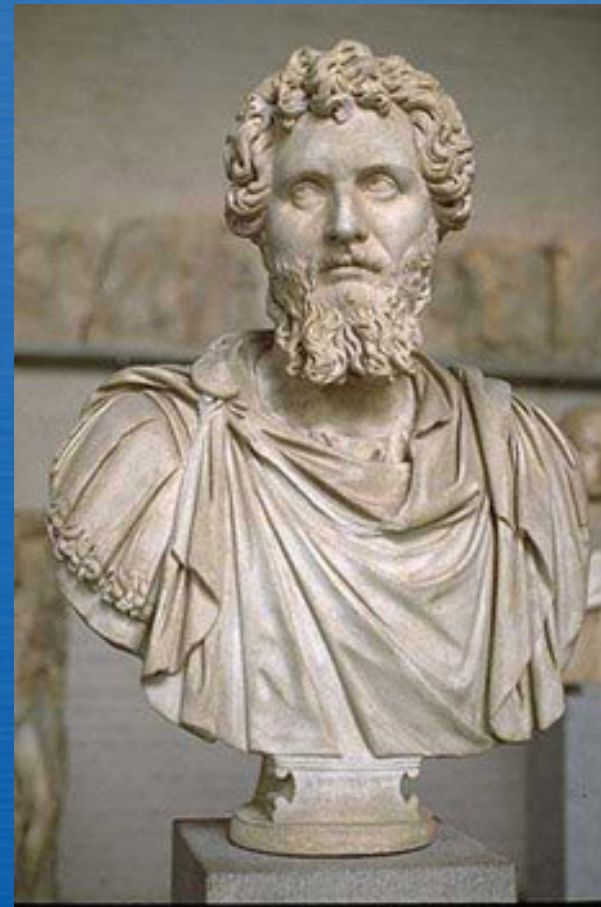
Objective Right

- Aristotle's definition of right/justice: "that disposition (habit) which renders men apt to do just things, and which causes them to act justly and to wish what is just." –Aristotle, *Nicomachean Ethics*, V, i., 1129-a8-9



Subjective Right

- Ulpian's definition of right/justice: "Justice is a steady and enduring will to render unto everyone his right. 1. The basic principles of right are: to live honorably, not to harm another person, **to render to each his own**. 2. Practical wisdom in matters of right is an awareness of God's and men's affairs, knowledge of justice and injustice."
 - --Ulpian, cited in *Digest of Justinian*, I, I, 10



Objective Right and Subjective Right Reconciled

- It would seem that lawyers have unfittingly defined justice as being *the steady and enduring will to render unto everyone his right*. For, according to the Philosopher (Ethics, V, i.), *justice is a habit which renders a man apt to do what is just, and which causes them to act justly and to wish what is just....* I answer that, The aforesaid definition of justice [from the Digest of Justinian] is fitting if understood aright. For since every virtue is a habit that is the principle of a good act, a virtue must needs be defined by means of the good act bearing on the matter proper to that virtue. Now the proper matter of justice consists of those things that belong to our intercourse with other men....Hence the act of justice in relation to its proper matter and object is indicated in the words, *Rendering to each one his right*, since, as Isidore says (Etym. X), ***a man is said to be just because he respects the rights (ius) of others.***

-- Thomas Aquinas, Summa Theologica, IIa, IIae, Q. 58

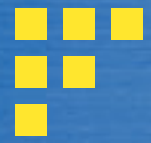


Rights Recognized as Valid for All Humans

"Inasmuch as he is a person, every Indian has free will, and, consequently, is the master of his actions"; "By natural law, every man has the right to his own life and to physical and mental integrity."

--Francisco de Vitoria, 1492-1546



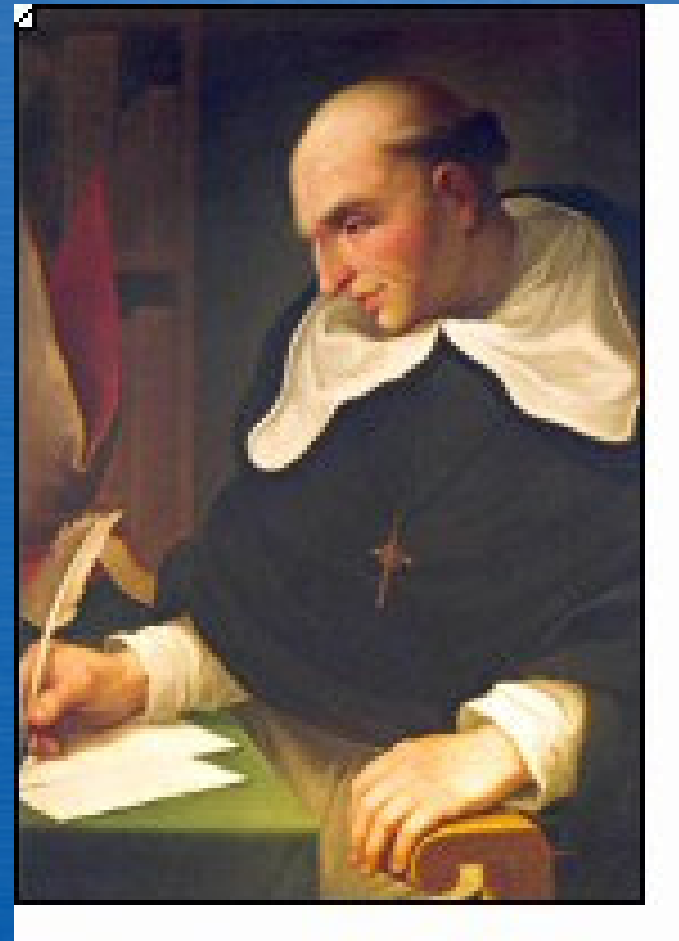


A Movement Started to Abolish Slavery as Unjust

Indians Also Have Dominion

“Among our Indians ... there are important kingdoms, large numbers of people who live settled lives in a society, great cities, kings, judges and laws, persons who engage in commerce, buying, selling, lending, and the other contracts of the law of nations....”

Bartolomé de las Casas
(1484-1566), 1550





Rights Grounded by the Levellers in *Property in One's Person*

- “To every individual in nature is given an individual property by nature not to be invaded or usurped by any. For every one, as he is himself, so he has a self-propriety, else could he not be himself; and of this no second may presume to deprive any of without manifest violation of the very principles of nature and of the rules of equity and justice between man and man. Mine and thine cannot be, except this be. No man has power over my rights and liberties, and I over no man's. I may be but an individual, enjoy my self and my self propriety and may right myself no more than myself, or presume any further.”
 - --Richard Overton, *An Arrow Against All Tyrants*, 1646

Levellers in the Army refused to invade Ireland

- Levellers captured and executed in the churchyard of Burford; in the church, scratched on the baptismal font, can be read, “Anthony Sedley, Prisoner, 1649”



Property in Estate Grounded on Property in One's "Own Person"

“Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this no body has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his.”

--John Locke, *Second Treatise of Government*, Chap. V, § 27



Objective Right (Justice) Depends on Respecting Subjective Rights

- Right is . . . the sum total of those conditions within which the will of one person can be reconciled with the will of another in accordance with a universal law of freedom.
- -- Immanuel Kant, *The Metaphysics of Morals* (1797)





Let's Think Economics: What Are Some of the Benefits of Property?

1. Personal Independence

2. Exchange and Cooperation

1. "Internalization of Externalities"

2. Prosperity



Economic Processes Should Add Value

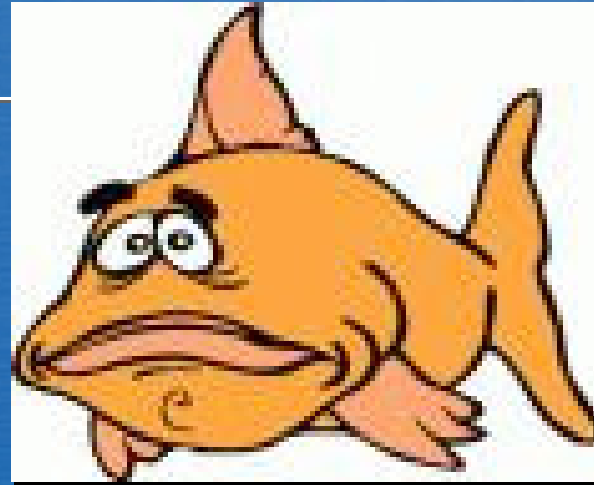
1. We transform nature to add value through work
2. We transform ownership to add value through exchange
 1. Each Prefers What She/He Gets to What She/He Gives
 2. To Know Whether Value is Added, We Need a Baseline – What Happens If There Is No Exchange?
 1. Each Keeps What She/He Owns



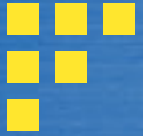
Exchange Based on Comparative Advantage is the Foundation of Beneficial Exchange and Society

- Through Specialization and Trade, We Can Consume *More Than We Can Produce*
 - An Example
 - “Larry” and “Tom”

Consider an Economy of Apples and Fish

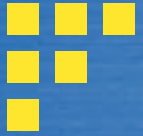


- Larry has an absolute advantage in production of both: If Tom specializes only in apples, he can gather 50 and if he specializes only in fish, he can catch 50; in the same time, Larry can gather 100 apples or 200 fish. Larry is better at both....How could Larry benefit from trading with inefficient Tom?



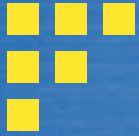
Production in Isolation (No Trade)

	Tom	Larry
Fish	25	50
Apples	25	100




Larry (who is smarter) proposes a trade...37 apples for 25 fish....

	Tom	Larry
Fish	50	25
Apples	0	150



Trade Takes Place

	Tom	Larry
Fish	25 (same as before trade)	50 (same as before trade)
Apples	37 [12 more than before trade]	113 [13 more than before trade]
	Tom can now consume more than he could produce	And Larry can now consume more than he could produce



It's not a mystery...it's comparative advantage

- Despite being less productive in absolute terms than Larry, Tom is the lowest cost producer of fish:
 - Producing one fish costs Tom one apple, but for Larry to produce one fish costs him *two* apples;
 - By specializing in his comparative advantage -- fish production, Tom allows Larry to exploit *this* comparative advantage, for producing one apple costs him *one half* of a fish, whereas it costs one whole fish to Tom.



Economic Processes Should Add Value

1. To Know If Value is Added, We Need to Ask if the Benefit Is Greater than the Cost
 1. Each Process Involves Evaluating Costs
 1. Whose Costs?
 2. Costs Can Be “Externalized”
 2. Property and Exchange Leads to “Internalization of Externalities”



Recent years have seen a rediscovery of the importance of property

Economists focused on the role of property in “internalizing externalities,” e.g., Ronald Coase’s “The Nature of Social Cost” (1960) and Harold Demsetz’s “Toward a Theory of Property Rights” (1967)

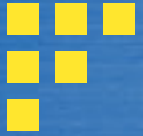


Property rights cause us to take into account the effects of our actions on others

Rights against harm require you to consult others before acting if your acts will affect them

Rights to transfer allow us to reach agreements that benefit both parties

Rights to profit from transfers create incentives to “maximize the capital value” of our assets, because we can capture a share of the future stream of income they will produce, meaning we consult even the interests of the unborn

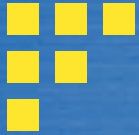


From Possession to Capital



Hernando de Soto, author of
The Mystery of Capital

Definable, Defendable,
and Divestible Property
Rights Transform “Dead
Capital” (mere
possession) into “Living
Capital” and Static
Societies into Progressive
Societies



The “Three D’s” of Efficient Property Systems

- 1) Definable
- 2) Defendable
- 3) Divestible (transferrable by gift or sale)



Some Examples of Internalization of Externalities

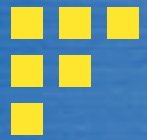
1. The “Tragedy of the Commons:



1. Coral Reefs and Fisheries
2. Why Do Fishermen in some countries use dynamite and bleach to catch fish?



3. Why Do Fishing Fleets “Deplete” the Fisheries On Which They Depend?



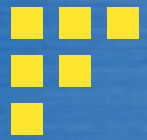
Environmental Conservation Depends on Property

1. Property and Exchange Create “Capital”

1. The Value of Capital is Equal to the
Sum of All Future Rents,
Discounted by the Rate of Interest

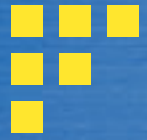
2. Capital Gives Present Value to
Future Uses

2. If there is No Property and No
Exchange, the Future Has No Value



Without Exchange and Markets, There Is Little Wealth Production

1. Net wealth production (wealth in excess of cost) requires prices to guide producers and consumers
2. Without prices, production is blind
3. Without property, there are no efficient prices



The Future Depends on Property Rights

1. Your Prosperity
2. Your Environment
3. The Peace and Stability of the World
4. Your Future