



EXCERPTS FROM CORRESPONDENCE OF INTEREST TO LIBERTARIANS

ON OWNERSHIP

EDITOR'S NOTE: *Dr. H—, a retired missionary teacher, is writing a book on Christianity and free enterprise. The following letter was in response to his question about the origin of ownership. "Does the right of ownership to a thing depend on my having labored for it?" was the essence of the question.*

DEAR DR. H—:

In my opinion, you are probing deeply when you tackle the matter of how the rights of original ownership can be justified. I am not sure that I have a tenable position, but let me try to expose my current and tentative belief.

"In the beginning God created the heaven and the earth."

But He did not create value. That was created by man, who wanted things in excess of God's creation of them as free goods. To get what one wants but does not have, a man offers in exchange something of his that he wants less than the object of his desire. It might be his time or it might

be some possession that he offers in exchange.

Personally, I am of the Austrian School of thought as to utility, which is this:

1. The utility of anything is strictly a personal appraisal, unknown to another person and hardly even known precisely and formally to the person himself. It is constantly changing, or subject to change, for each item for each person.

2. The exchange value tells us no more about the matter than that an agreement was consummated at this point between two persons for purposes of exchange. For each of them it expresses a point below his limit of utility for what he buys, and above it for what he sells — a condition requisite to every instance of a voluntary exchange.

In terms of this concept I reject, of course, the labor theory of value.

My right to a thing arises out

Readers are invited to nominate their own or other letters of note for this section; the author's permission to print should accompany the nomination.

of my having properly acquired it rather than out of my having labored for its production. When we speak of the value of anything that has been traded, this refers to whatever the buyer has willingly offered. The offer is made from what a person owns in a proper sense, having been previously acquired by means other than theft from the previous owner.

Say, for instance, that I offer you \$1.00 for a bushel of your potatoes, which you willingly sell; and shortly thereafter I offer you \$2.00 for another bushel from the same bin of your supply, which you also willingly sell. Why, it may be asked, do you have any right to the second dollar of excess price in the second bushel? I would answer that it is your right merely because you owned it, and I willingly offered you the second dollar through the process of a voluntary bid — just like the first bushel, and the first dollar of the second bushel. Obviously, your right to the second dollar did not arise from any specific labor on it, since the total labor for the second bushel was presumably identical to that for the first.

This, then, seems to resolve all problems of rights to appreciated value. The right was granted in each instance by those who bid for it, and the highest bidder acquires the deciding vote in the

matter of its amount. This seems to take care of the matter of rights in all instances of exchange value, leaving unanswered only the question of initial ownership of any item, following its prior status as a free good.

Now as to initial ownership of a thing, the situation must have been — if we assume a free society in which the situation arose — that only one person attached, at that time, any economic significance to a title of acquisition. There was no second bidder then in that market. Therefore, in acquiring a title to it, the initial owner took nothing of value from any other person. Every other person was then declaring the item to be worthless — not even worth the paper, or the driving of a stake, to establish ownership. Nobody was robbed of anything of worth by taking the initial title of ownership. And this denial of any theft is the judgment of every other person at that time, all of whom declared it worthless. Taking something without worth to anyone else is not theft, to be sure.

Can we not say with reason, therefore, that the right of original ownership of a thing arises from the person's appraisal of its utility when all other persons deny its having any utility? Is this problem then not the same,

really, as that of your right to the second dollar for the second bushel of potatoes?

How does this explanation of original rights of ownership strike you?

F. A. HARPER
of the Foundation Staff

REMOVING OUR TRADE BARRIERS

DEAR MR.———:

In arguing for tariffs and against international free trade, you suggest that we are already a low tariff nation and that we have been lowering our tariffs steadily. The American Tariff League has released figures to show that our tariffs are very low and that we are near the bottom of the list of countries when arranged in order from high to low tariffs. They show that in 1952 our imports were \$10,745,000,000 and customs receipts were \$575,000,000. Therefore, our "average tariff level" was 5.3 per cent, among the lowest of all nations.

I believe you will agree that this method of calculation leaves something to be desired. For example, our tariff structure might be applied only to a few items and at so high a level that none would be imported; using this formula, then, we would conclude that our "average tariff level" is zero.

The important thing, to me, is not our "low average level" but the fact that in 1951, forty-one rates were 100 per cent or more and over 900 rates were 40 per cent or more. The ATL makes such a strong point of our low tariffs that I am tempted to say: "If that's so good, then why not still lower?" Unless we stay with basic principles, we are likely to be drawn offside in arguing about what the level of tariffs should be, or the degree by which we have reduced them.

You've also suggested that "trade has caused more wars than any other single factor." With this I must disagree, if by trade you mean free, private trade. If trade could be carried on between nations by private individuals or corporations, I am convinced there would be little international conflict as a result. It is when governments inject themselves into the picture that trouble arises. For example, if your firm, as a private corporation, makes an unfortunate deal with a German corporation, it will be difficult for you to get Congress excited enough to do something about it. But when government steps in and tells you the conditions under which you can trade with Germany, or Russia, or Red China, that can become the subject of an international debate in the U. N.

You suggest that a free nation cannot trade to advantage with a socialistic nation unless it adopts the socialistic restrictions of the latter. You suggest that the reason free trade has worked between our states is because we all believe in free competitive enterprise. Granted, much of our progress in this country has resulted from almost universal acceptance of relatively free enterprise. But I don't follow the argument from there. If Iowa were a "free enterprise state" completely surrounded by socialistic states, I think it would be to her advantage to remove her own restrictions to trade and do the best she could with her neighbors.

Free trade, as I would define it, can only exist when there are no restrictions on either side. Therefore, it is absurd to think of its existing in the world today with practically all countries operating under some degree of socialism. But, I would argue that it is to our own advantage to remove *our* restrictions, then trade as best we can under the restrictions imposed by other nations. It would be far from ideal, but their restrictions are basically their responsibility and not ours. My entire argument is based on what I think would be best for our own citizens, as producers and consumers, and I am not too much concerned with poli-

cies of other nations, however foolish I may think they are. Perhaps I should say I am concerned, but it is not within my province to try to force their reform.

You raise the question of low wages in foreign countries. It is sometimes argued that we should postpone free trade until all countries have achieved our wage levels. This is a subject to which I devoted considerable space in the booklet, *The Tariff Idea*.^{*} It seems to me it is a completely fallacious idea and counteracts the whole idea of the advantages of trading. Any time two people can trade to the advantage of both, they should be permitted to do it. Under freedom, they won't trade unless they do see an advantage.

I believe that the principle most commonly lost sight of in our discussions of trade is that consumption is the sole purpose of production. We sometimes tend to think that the preservation of an industry or a particular firm or a man's job is the important thing to preserve. This leads to all sorts of uneconomic measures which adversely affect the consumer — the king.

Your last point refers to the concept of free trade as "phony liberalism." Pursuing and trying

^{*}Curtiss, W. M. *The Tariff Idea*. Irvington-on-Hudson, New York: The Foundation for Economic Education. 80 pp. 50 cents.

to explain the freedom philosophy places one in very strange company at times. For instance, among the advocates of free trade are various individuals with quite some reputation as world planners and international meddlers. This is an important reason why we have always tried to stick pretty close to ideas and leave personalities out. We may find ourselves on the side of the "phony liberals" when we discuss loyalty oaths, academic freedom, segregation, and a host of other problems. If one has his principles firmly fixed, his company need not bother him greatly.

As an example of this, I could cite the recent discussions involving the General Agreement on Tariffs and Trade (GATT) and the Organization for Trade Cooperation (OTC) as promoted in H.R. 5550. One might expect our position to be favorable toward GATT, simply because we believe in free trade. But such is far from the case. The advocates of GATT are not, as I see it, merely advocating free trade, but are

promoting a world-wide control of trade, dividing the markets, regulating prices, and the like.

A well-known business leader recently exploited that idea to the utmost, implying that one must either be for tariffs or for socialism. This is certainly a "guilt by association" idea, and just because some of the world's leading socialists *seem* to favor free trade, does not mean that free trade is a socialist idea.

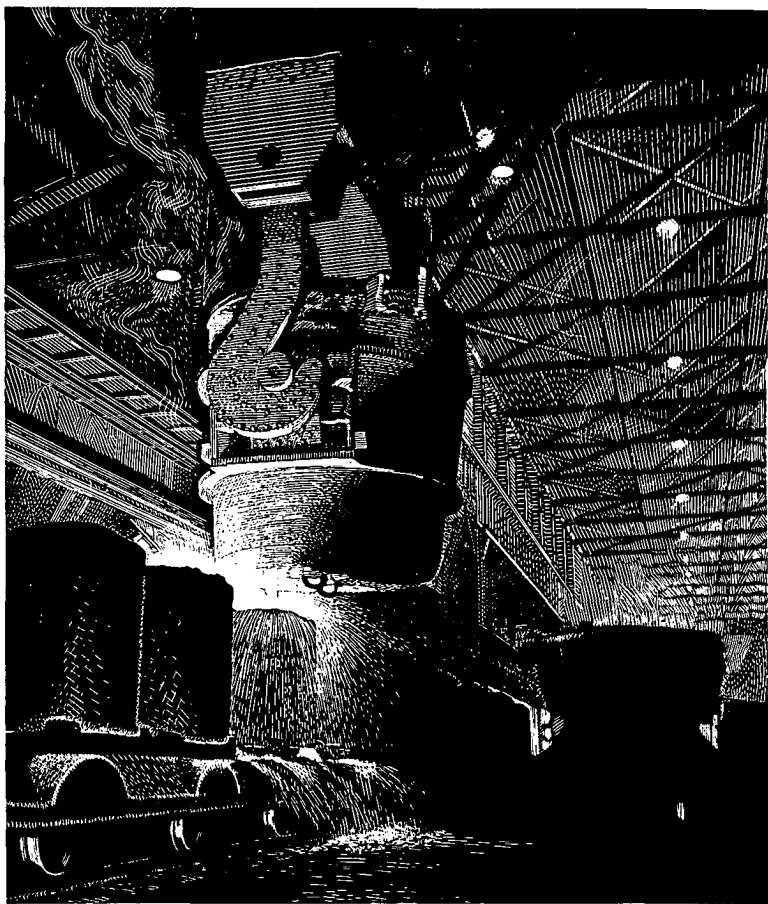
We have sometimes been charged with pointing a finger at tariffs when they are really a minor restriction to trade. With this I would have to agree. I believe exchange controls, quotas, subsidies, bilateral and multilateral agreements, bulk buying and selling by nations, and other restrictions are perhaps materially more damaging than tariffs. Nevertheless, I believe the same principles apply to all and it may be easier to get the lesson across by using the relatively simple example of tariffs.

W. M. CURTISS
of the Foundation Staff

Special Dangers to Small Business

TO THE SMALL BUSINESS MAN, Protection has its special dangers: it may enable trusts to gain such powers that they overwhelm him; it may create Boards which can refuse permission to new men to start production; it may even enable a federation of producers to veto a new enterprise.

C. J. L. BROCK, *The Moral Case for Free Trade*



Teeming Ingots at J&L's Pittsburgh Works

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FROM A LIBERTARIAN'S LIBRARY

IN A FREE ECONOMY, in which wages, costs and prices are left to the free play of the competitive market, the prospect of profits decides what articles will be made, and in what quantities—and what articles will not be made at all. If there is no profit in making an article, it is a sign that the labor and capital devoted to its production are misdirected: the value of the resources that must be used up in making the article is greater than the value of the article itself.

One function of profits, in brief, is to guide and channel the factors of production so as to apportion the relative output of thousands of different commodities in accordance with demand. No bureaucrat, no matter how brilliant, can solve this problem arbitrarily. Free prices and free profits will maximize production and relieve shortages quicker than any other system. Arbitrarily-fixed prices and arbitrarily-limited profits can only prolong shortages and reduce production and employment.

A selection from "Economics in One Lesson" by Henry Hazlitt. Special Pocket Book edition published by arrangement with Harper & Brothers for the Foundation for Economic Education, Irvington-on-Hudson, N. Y. 193 pp. 3 for \$1.00.