

*Chapter I:
Libertarians and Liberalism:
of Laps, Links and Lapses*

Libertarian Perspective on Political Economy

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In this Essay I shall try to set out the basic premises of libertarianism, and to apply them to issues such as socialism, capitalism, unionism, free trade, pay equity, minimum wages, underdeveloped countries and pollution. It is important that this be done since if we are to discuss this philosophy, we do well to have a clear account of it before us. In that way, whether we accept it or not, we shall not have to fear talking at cross purposes; we will at least all be undertaking a dialogue on the same issue. Perhaps we shall only achieve informed disagreement, but this is a far better result than misunderstanding, the condition that plagues much of dialogue on economic questions.

Self Owners

The first basic premise of libertarianism is that we are all self owners. That is to say, it is improper for anyone else to invade our bodies, whether through enslavement, murder, rape, assault and battery or any other such act. An implication of this moral axiom is that it is illegitimate for anyone to initiate coercion against a person who does not first himself undertake a physically abusive act. This is the non aggression axiom, a defining charac-

teristic of libertarianism.¹ One may defend oneself against attack, or even retaliate – libertarianism is not equated with pacifism – but one may not be the first to assault another.²

What are the alternatives to self ownership? One possibility is some variant of autocracy or monarchy or totalitarianism. Here, one person, or a small group of people, would possess the right to dispose of the lives of all others. But this is in stark violation of the moral requirement of generalizability or universalizability: what is so (ethically) special about this person or small group such that they deserve to rule everyone else? Since there is no such distinguishing moral characteristic in existence,³ this scenario falls to the ground. The only other option besides self ownership is that we all own $1/n$ share of everyone on earth, where n equals the total population. In this vision, or rather nightmare, no one would be allowed to do as much as scratch himself, without obtaining the permission to do so from the rightful owners of his body, that is, everyone else. If ‘direct democracy’ were practiced under these conditions, the human race would quickly die out (relieving us of the problem of solving this dilemma) since it would be too cumbersome to get everyone else’s permission to do anything. If indirect, i.e. ‘representative democracy’ were observed, the situation would soon deteriorate into the first, or autocratic scenario, which we have already rejected.

Private Property

A second premise is that a person’s legitimately held private property shall likewise be safe from invasion. Before going on to an extended analysis of private property rights, we do well to consider the objection that there can be no justification for them, because property itself is intrinsically an illegitimate institution. This sentiment is often buttressed by citing Prouhdon, who is widely quoted as having held that ‘Property is theft.’⁴ But there is something logically incongruous about this statement. ‘Property is theft’ is used to denigrate the legitimacy of property, but in actual point of fact the very concept of ‘theft’ makes no sense whatever in the absence of legitimate property. If there were no legitimately owned private property, there logically could be no such thing as theft. Consider an act which might otherwise be considered to be stealing. Without a perspective of property rights, if someone were to take an object out of the possession of another person, and place it into his own possession, we could not call this theft, and by implication label it as illegitimate. Rather, we would have to unsatisfactorily (and morally) describe it as ‘transferring,’ or ‘conveying,’ or

'relocating' or some such. But to do so would be to eviscerate the ordinary meaning of the word.

The sixth commandment states 'Thou shalt not steal!' This commandment makes absolutely no sense outside the assumption of private property rights.

All we mean by private property rights is that human beings can utilize physical items of the earth without necessarily committing an invasive act. If people do not have such rights, and yet insist upon acting noninvasively, we must all perish, for we cannot live without using earth, air, water, fire, and all the things we can create out of them. If we are to survive under such a flawed understanding of property, then we must all act intrusively: we must use that which according to the theory we have no right to use.

The real question, then, is not whether human beings have property rights; it is, How shall they be divided up? May they be individual, or must they be communal? These are the questions to which we now turn.

Justification

We can justify private property rights along similar lines as we used for individual self ownership of our bodies, and for rejecting communal ownership. In this case there again exist the three identical options: individual ownership of property, group ownership of everything in common, and autocratic control. Autocratic control is non universalizable, and if each of the 6 billion of us had to get the permission of the other 5,999,999,999 before anyone could begin to use the resources of the earth, we would all starve, or deteriorate into a system of autocratic rule.

Utilizing the non aggression axiom, we may say that any means of obtaining property which is strictly *voluntary* is justified.⁵ For example, trade, gifts, gambling, inheritance, charity, investments, employment, borrowing, repayment of debts, etc. The point is, if A has legitimate title to property *y*, and trades it for B's similarly legitimately held *z*, then A becomes the new and proper owner of *z*, and likewise B of *y*.

And how do unowned parts of nature pass into ownership by humans? Although this answer is less fully settled than those elements of the libertarian philosophy already introduced, the answer is, through homesteading. In the words of John Locke, one mixes one's labor with the land,⁶ and thereby obtains rightful title.⁷

One way to justify this procedure is again to contrast it with its alternatives. How else, then, can property pass from a state of nature into human ownership? There seem to be but three alternatives: claims, govern-

ment sales and communal ownership. According to the first, we can establish rightful title to land merely by claiming it. The difficulty with this is that many people may claim 'the sun, the moon and the stars,' leaving these properties in dispute. Moreover, this seems unsatisfactory to our moral sense: the claimers did nothing to earn this property; why should they be able to own it, and thus prevent others from using it? A drawback to the second is that government is only composed of flesh and blood people, none of whom can justify their claim to unowned land. What is so special about the bureaucrat that he should be entitled to possess unowned land, merely because he is a part of the government?⁸ As for the third alternative, the case for it again dissolves when we realize that in practice, it would mean either that such resources could not be used (the costs of agreeing to its use, on the part of billions of people, would be catastrophic) or that they would end up, in effect, being owned by a few rulers.

Despite the foregoing, it is of the utmost importance to realize that libertarianism by no means implies a capitalist means of organization. We totally and adamantly reject the view that private property rights logically implies a capitalist mode. Instead, we assert that libertarianism is *every bit* as compatible with socialism as it is with capitalism.⁹ How is this possible? Let us clarify this point with reference to the following diagram:

	<i>Socialism</i>	<i>Capitalism</i>
<i>Voluntarism</i>	Voluntary Socialism	Laissez-Faire Capitalism
<i>Coercivism</i>	Coercive Socialism	State Capitalism

Although most political economic theorists identify as polar opposites socialism and capitalism, and play off the one against the other, we shall completely reject this mode of analysis. For us, the relevant distinction is not between socialism and capitalism, but between voluntarism and coercivism. The major combatants on the field thus are not socialism vs. capitalism, but rather voluntary socialism, together with voluntary capitalism on the one side, arrayed against the evil forces of coercive socialism and coercive capitalism, in unholy alliance, on the other.

Before considering each of the inhabitants of the four boxes in the diagram, let us begin by describing the rows, and then the columns. We have already touched upon the distinction between voluntarism and coercivism. The former is the condition wherein the libertarian axiom of non aggression against non aggressors is respected and upheld; the latter is the situation where it is violated. It is clear, then, that a strictly voluntary system is compatible with libertarianism – indeed, the two are equated – and that coercion is the diametric opposite of libertarianism.

Socialism

Now for the columns. By socialism I understand adherence to the familiar Marxian doctrine 'From each according to his abilities, to each according to his needs,' as well as the view that all property (or at least all capital goods) shall be held in common. But the crucial question for libertarianism is whether these socialistic perspectives are put into effect on a voluntary or on a coercive basis. We are all familiar with coercive or state socialism (communism). Here, the socialistic doctrines are upheld, at least in theory,¹⁰ but this is done on a coercive basis. Individuals have no right to opt out of the system, nor is their consent necessary in order to begin it or to justify its continued existence.

In sharp contradistinction to coercive socialism is its polar opposite, voluntary socialism. Examples include the kibbutz, the cooperative, the commune, the (voluntary) labor union, the Hutterite colony,¹¹ the monastery, etc. The typical nuclear family, moreover, is a (voluntary) socialist commune!¹² All members of the family consume not in accordance with their ability to earn, but based on their needs. The parents may earn the entire income, but certainly do not consume it all; the (young) children earn none of it, but consume on the basis of their needs. In all these cases, voluntarism is strictly upheld. No one is dragged, kicking and screaming, into voluntary socialism, nor prevented from leaving. Nor does the voluntary commune seize the private property of those who have not joined it of their own free will. On the contrary, the property of the commune is based on the pooling of the legitimately owned resources of the individuals who compose it. In all regards, then, this form of socialism fully lives up to the requirements of voluntarism. Hence, it is entirely compatible with libertarianism.

Capitalism

By capitalism I understand that system of interaction based on trade, employment, interest rates, business firms, profits, etc. An aphorism similar in form to the socialist one considered above might be 'From each according to his abilities, to each according to his abilities.' Just as for socialism, there is a similar bifurcation in capitalism. Under the *laissez-faire* or voluntary variety, the businessman earns his profits only from the consensual purchases of the consumers; 'consumer sovereignty' is the catchword of the free enterprise system.¹³ And whenever a trade takes place – whether one good for another (barter), or a good or service for money (sale), or money for labor services (employment) – *both* parties gain, at least in their own *ex*

ante expectations, compared to the situation which obtained before the trade took place, and would have continued on in the absence of the trade. If I trade you one hour of my time for a salary of \$5.00, this must mean that I value that hour as worth less to me than the \$5.00, and that you value the services you expect to obtain from me more highly than that amount of money. Thus, we *both* gain in welfare from the trade.¹⁴ The free market consists of nothing but the totality of all such voluntary trades which take place in a given area. Thus, we are in a position to claim that the market benefits all participants!¹⁵

But not all versions of capitalism are quite so benign. The system of state capitalism (or monopoly capitalism, or economic fascism, or corporate capitalism, or, paradoxically, national socialism – Naziism) retains a thin veneer of adherence to free enterprise institutions. But this is only a mask of the underlying reality. In actual fact, the corporate interests seize, through government, that which would be unavailable to them through the market. For example, if the customers purchase a given product in sufficient quantity and at a high enough price to allow the ruling class the profit it deems adequate, well and good. Free markets may well be allowed to obtain for that one small sector. But if not, then through a series of protections, payoffs, taxes, subsidies, bail-outs, franchises, permits, licenses, quotas, bribes, exemptions, tariffs, favors, etc., the capitalist-rulers will expropriate these funds from the general public. Consider the typical business bail-out, for instance. Here, the corporation confiscates, through taxes from the citizenry, those funds which were not forthcoming to them in the form of voluntary purchases. In effect, the corporation does an end run around the consumer. It asks its agent, the government¹⁶ to appropriate monies from all members of society, in the form of taxes, and then to turn this wealth over to the corporate interests in the form of a bailout.¹⁷

This distinction between *laissez-faire* capitalism and state monopoly capitalism (between the two boxes on the right side of the diagram) is subtle, and difficult to understand. It is even harder to perceive than that between voluntary and coercive socialism (the two boxes on the left side of the diagram.) Yet it is one of the most fundamental of all distinctions in political economy. Its importance would be hard to overestimate. So let us try once again. There is all the world of difference between defending a *system* of competition, the free marketplace, in which all businesses must sink or swim depending upon how well they satisfy consumers, and defending *particular* business enterprises (as for example, by giving them a monopoly franchise or a protective tariff). The latter, indeed, can fairly be characterized as a 'running dog' policy in behalf of capitalist interests. But not the former, the libertarian vision. If this is the running dog of anything,

Libertarians and Liberalism

it is of the consumer; if it speaks in behalf of anything, it is of liberty, justice, and individual rights, not special business interest groups.

In the felicitous phrase of Robert Nozick,¹⁸ *laissez-faire* permits all 'capitalist acts between consenting adults.' But for the philosophy of libertarianism, a system which allows all 'socialist acts between consenting adults' is equally legitimate. The point is, it is not the capitalism or the socialism which is important.¹⁹ This has been, for all too long, a red-herring which has been allowed to obfuscate serious analysis. On the contrary it is the coercion or voluntarism of a system which is really at issue.

Now that we have set the stage with this introduction to libertarianism, we are ready to consider applications to several public policy issues.

Unionism

Just as for socialism and capitalism, unionism is a complex phenomenon, which admits of a voluntary and a coercive aspect. And, following the pattern introduced above, libertarianism is fully consistent with voluntary unionism, and diametrically opposed to coercive unionism. What do all varieties of unionism have in common, both the coercive and voluntary types? Unions are associations of employees, organized with the purpose of bargaining with their employer in order to increase their wages.²⁰

What, then is the distinction between invasive and non invasive unions? The latter obey the libertarian axiom of non aggression against non aggressors, and the former do not. Legitimate unions, in other words, limit themselves to means of raising wages which do not violate the rights of others, while illegitimate unions do not so proscribe themselves.

Mass Walkout

This of course leads us to the \$64,000 question. Which arrows in the quiver of organized labor are invasive, and which are not? We can start off with a legitimate technique: threatening, or organizing, a mass walk out, unless wage demands are met.²¹ This is not an infringement of anyone's rights, since the employer, in the absence of a contract, cannot compel people to work for him at wages they deem too low. Nor is it any valid objection to this procedure that the workers are acting in concert, or in unison, or in collusion, or in 'conspiracy.' Of course they are. But if it is proper for one worker to quit his job, then all workers, together, have every right to do so, en masse. This follows directly from our defense of voluntary socialism, of

which voluntary unionism is merely one facet. True, the group has no more rights than those of the individuals who make it up, but if one person has the right to quit a job, he does not lose that right merely because others choose to exercise their identical rights to quit at the same time.

There are numerous 'right wing' economists²² who take the view that anti trust and anti combines law ought to be applied to unions.²³ Thus, even what we have been describing as voluntary unions would be for them illegitimate, because they claim that 'collusive actions' on the part of unions 'exploit' the community as a whole,²⁴ in their violation of consumers' sovereignty.²⁵ But this only shows that there is all the world of difference between what we have been calling *laissez-faire* and state capitalism.

Back to work legislation

If it is proper for unions to threaten or stage a mass walkout, it is improper for governments to enact legislation forcing them back to work. Certainly, this follows from the basic libertarian premise of self ownership. In the words of Murray Rothbard:

'On October 4, 1971, President Nixon invoked the Taft-Hartley Act to obtain a court injunction forcing the suspension of a dock strike for eighty days; this was the ninth time the federal government had used the Act in a dock strike. Months earlier, the head of the New York City teachers' union went to jail for several days for defying a law prohibiting public employees from striking. It is no doubt convenient for a long suffering public to be spared the disruptions of a strike. Yet the 'solution' imposed was forced labor, pure and simple; the workers were coerced, against their will, into going back to work. There is no moral excuse, in a society claiming to be opposed to slavery and in a country which has outlawed involuntary servitude, for any legal or judicial action prohibiting strikes – or jailing union leaders who fail to comply. Slavery is all too often more convenient for the slavemasters.'²⁶

Boycott

Another legitimate union activity is the boycott, whether primary or secondary. A boycott is simply the refusal of one person to deal with another.²⁷ All interaction in a free society (whether voluntary socialist or voluntary capitalist) must be on a mutual basis, but there is no presumption that any particular interaction must take place. I, for example, may refuse to

associate with you for any reason that seems sufficient to me. Since a boycott is merely an organized refusal to deal with, and each person has a right to so act, then people may act in this way in concert. Says Rothbard in this regard:

‘A boycott is an attempt to persuade other people to have nothing to do with some particular person or firm – either socially or in agreeing not to purchase the firm’s product. Morally, a boycott may be used for absurd, reprehensible, laudatory or neutral goals. It may be used, for example, to attempt to persuade people not to buy non-union grapes or not to buy union grapes. From our point of view, the important thing about the boycott is that it is purely voluntary, an act of attempted persuasion, and therefore that it is a perfectly legal and licit instrument of action ... a boycott may well diminish a firm’s customers and therefore cut into its property values; but such an act is still a perfectly legitimate exercise of free speech and property rights. Whether we wish any particular boycott well or ill depends on our moral values and on our attitudes toward the concrete goal or activity. But a boycott is legitimate *per se*. If we feel a given boycott to be morally reprehensible, then it is within the rights of those who feel this way to organize a counter boycott to persuade the consumers otherwise, or to boycott the boycotters. All this is part of the process of dissemination of information and opinion within the framework of the rights of private property.

‘Furthermore, ‘secondary’ boycotts are also legitimate, despite their outlawry under our current labor laws. In a secondary boycott, labor unions try to persuade consumers not to buy from firms who deal with non-union (primary boycotted) firms. Again, in a free society, it should be their right to try such persuasion, just as it is the right of their opponents to counter with an opposing boycott.’²⁸

Picketing

Now let us consider an illegitimate union activity. These are acts which coercive unions engage in, but which non coercive unions totally eschew. Picketing, for example, is illicit, and therefore should be outlawed, because it is equivalent to a threat or an initiation of physical force. This must be clearly demarcated from a boycott. In picketing, the object is to prevent people who would like to deal with the struck employer (suppliers, customers, competing laborers – ‘scabs,’ or strikebreakers) from so doing. In a boycott, in contrast, the aim is to mobilize those who already agree with the strike, to refrain from making the relevant purchases. True, one may try

to convince neutral parties, but in a boycott the means of doing so are strictly limited to non invasive techniques. Once encroachments are resorted to, a boycott becomes converted into picketing.

Only Informational

There are those who characterize picketing as merely 'informational'. In order to see the utter ludicrousness of such a claim, try to imagine what our response would be were McDonald's to send its agents, hundreds of them, carrying big sticks with signs attached to them (picket signs), to surround the premises of Burger King, or Wendy's, in order to give 'information' to their customers or suppliers. In like manner, we do not allow Hertz to picket Avis, or General Motors to picket Ford. There is absolutely no doubt that such activities would be interpreted, and properly so, as an attempt to intimidate. If any of these firms wish to convey information, they have other avenues open to them: advertising, direct mail, contests, give-aways, bargains, etc. And the same applies to a union. If it wishes to communicate, it must restrict itself to these methodologies.

It is sometimes asserted that the pickets are only at a job site in order to impart the information that a strike is in progress, and it is 'conceded' that the picketers become enraged if they see anyone (customers, suppliers, strike breakers) engaging in commercial endeavors with the struck employer. The attempt, here, is to claim that picketing is merely informational, and that these 'interferences' are responsible for the violence which is endemic on a picket line. But one cannot have it both ways. Either there is only knowledge being given out, or there is not. If there is, then how do we account for the typicality with which violence arises on the picket line? Are its members just so 'sensitive?' But this is all beside the point. Even if violence was never associated with picket lines, this would only prove they were so successful in their intimidation that none was necessary. As we have seen, the libertarian non aggression axiom precludes both the actual initiation of violence as well as the threat thereof, and even picketing which is (so far) non violent is a threat to all would be crossers of the picket line.

Job Ownership

Another defense of picketing concedes that it is a violent activity, but asserts that it is not an initiation of coercion, but rather a defense of private property rights, namely the jobs of the striking coercive unionists. There is

some superficial plausibility in this rejoinder. After all, libertarians are not pacifists, and certainly they defend the right of people to protect their property against theft. However, the 'scab' is not stealing the job of the striking coercive unionist. A job, by its very nature, cannot be owned by any one person. Rather, it is the embodiment of an agreement between *two* consenting parties. In the case of the strike, organized labor is unsatisfied with the offer of the employer. It is publicly renouncing this offer. It therefore cannot be said that these workers still 'have' these jobs.²⁹ Under *laissez-faire*, *all* people are allowed to compete for jobs in a free labor market. It is a vestige of the properly repudiated caste system, or guild system, to think that there are two groups of people with regard to employment at any given plant: the coercive unionists, who own the jobs, or have a right to them, and all other people, who must refrain from bidding for them.

To some extent we are fooled by the very language we use in order to describe this situation. We speak of 'my' job, or 'your' job, or 'his' job, or 'her' job; this use of the possessive pronoun seems to indicate real possession, or ownership. But this is a complete mistake. We also speak of 'my' spouse, or 'my' tailor, or 'my' employee, or 'my' customer, and yet it would be nothing short of grotesque to assign ownership rights to any of these relations. All of them are based on mutuality, not ownership on the part of either person. For example, if it is 'my' spouse, and she wants to divorce me, then I would be just as warranted in picketing her home, to make sure that she did not enter into a new relationship with a replacement for me, as would be the coercive unionist in protecting 'his' job against the similar 'incursions' of the 'scab.' If it is 'my' employee, then I could forbid him to quit his job. If it is 'my' customer, I could prevent him from taking his business elsewhere, to a competitor. And if it is 'my' tailor, it would be a violation of my rights if he moved to another city, retired, or entered a new occupation.

Sweat Shops

What of the claim that without picketing, coercive unions would be rendered virtually powerless, and in the absence of strong coercive labor organizations, the working people would be forced back into the 'sweat shops.' First of all, even if this claim were true, picketing would still be unjustified, and a violation of the basic libertarian premise against the initiation of violence. Secondly, even if coercive unions were all that stood between the sweat shop and present living conditions for their members, it still does not follow that the lot of *working people* would be improved by

picketing. For this activity is aimed not so much at the employer as at the coming worker, the strike breaker. The major aim of the picket line is to prevent alternative workers from attaining access to the job site. Indeed, the very terminology employed by coercive unionists to describe him, 'scab,' is indicative of the extreme denigration in which he is held. But these people are *working people* too. Further, they are almost always poorer³⁰ than the striking coercive unionists. This is seen by the fact that the 'scabs' are usually more than happy to take the offer spurned by the strikers. So if there is anyone who needs to be protected from the spectre of the 'sweat shop,' it is not the coercive unionist, but the scab.

Thirdly, it is profoundly mistaken to believe that the modern level of wages depends upon coercive union activity. As any introductory economic textbook makes clear,³¹ wages depend, to the contrary, on the productivity of labor. If wages are bid above productivity levels, bankruptcy and consequent unemployment will tend to result.³² However, if wages somehow find themselves below the rate of marginal revenue productivity, other employers can earn profits from bidding these workers away from their present employers – by continually improving the job offer until wages and productivity levels come to be equated.

There is abundant evidence to support the view that coercive unionism cannot be credited with the explosion of wages and living standards. For one thing, the modern coercive labor movement has only been with us in this century, and only gained much of its power (in the U.S.) with the advent of special legislation in the 1930s, when its share of the labor force rose from 5% to 20%.³³ And yet wages, welfare and standards of living have been on this increase for hundreds of years before that. For another, the economies of countries of southeast asia such as South Korea, Taiwan, Hong Kong, Singapore, have been burgeoning in the last several decades, in the virtual absence of unionism, coercive or voluntary.³⁴ As well, there have been sharp wage increases in industries – within countries with a strong labor movement – which are completely unorganized. Examples include banking, computers, housecleaners.

The comparison between the U.S. and Canada is also instructive. In 1960, the (coercively) unionized sector in both countries was about 30%; by 1983, labor organizations represented fully 40% of the Canadian work force, but only some 18% in the U.S. If the union-as-the-source-of-all-prosperity hypothesis were correct, we would have noted a slippage toward sweat shop labor conditions in the U.S., and an era of extreme affluence in Canada. Needless to say, that has not at all been the case.³⁵

Unequal Bargaining Power

Let us consider one last possible defence: there exists unequal 'bargaining power' between employer and employee, and that only coercive unionism can redress this imbalance. The usual reason for supposing that there is unequal bargaining power is that there are more employees than employers.³⁶ If so, this is hardly sufficient to establish the case. I assume that bargaining power is defined in such a way so that when there is a difference of opinion, or a dispute, the person with the greater bargaining power is more likely to attain his goal than is the person with the lesser bargaining power. But in actual point of fact, the likelihood of attaining one's goal in a bargaining situation depends almost entirely on whether the wage is above, below, or equal to equilibrium.³⁷ In the first case, the employer will have more 'bargaining power,' as wages will tend to fall in any case; in the second case, the employee will have more 'bargaining power,' as the market will dictate an increase in wages. One may say, if one wishes, that in the third case 'bargaining power' is equal, since wages will tend not to change. But on the basis of Ockham's Razor it would be more scientific to dispense with the concept of bargaining power entirely, and confine our purview to basic supply and demand analysis in the labor market.³⁸

Labor Legislation

It follows from our analysis of coercive unionism that much of our present labor legislation is mischievous and misguided. If voluntary association and mutual consent are the only legitimate foundations of employment; if it should be strictly forbidden for one group of workers to forcibly prevent another (scabs) from competing for jobs; then it follows that government-made laws which are inconsistent with these principles are incompatible as well with the libertarian legal code. For example, there should be no laws which compel the employer to 'bargain in good faith'; with any one set of employees; he should be allowed to deal with anyone he wishes. Further, all legislation prohibiting an employer from firing striking workers, and hiring replacements on a permanent basis, should be repealed. Says Rothbard:

'It is true that the strike is a peculiar form of work stoppage. The strikers do not merely quit their jobs; they also assert that somehow, in some metaphysical sense, they still 'own' their jobs and are entitled to them, and intend to return to them when the issues are resolved. But the remedy for this self-contradictory policy, as well as for the disruptive power of labor

unions, is not to pass laws outlawing strikes; the remedy is to remove the substantial body of law, federal, state, and local, that confers special governmental privileges on labor unions. All that is needed, both for libertarian principle and for a healthy economy, is to remove and abolish these special privileges.

These privileges have been enshrined in federal law – especially in the Wagner-Taft-Hartley Act, passed originally in 1935, and the Norris-La-Guardia Act of 1931. The latter prohibits the courts from issuing injunctions in cases of imminent union violence; the former compels employers to bargain ‘in good faith’ with any union that wins the votes of the majority of a work unit arbitrarily defined by the federal government – and also prohibits employers from discriminating against union organizers. ... Furthermore, local and state laws often protect unions from being sued, and they place restrictions on the employers’ hiring of strikebreaking labor; and police are often instructed not to interfere in use of violence against strikebreakers by union pickets. Take away these special privileges ...

It is characteristic of our statist trend that, when general indignation against unions led to the Taft-Hartley Act of 1947, the government did not repeal any of these special privileges. Instead, it added special restrictions upon unions to limit the power which the government itself had created ... the government’s seemingly contradictory policy on unions serves, first, to aggrandize the power of government over labor relations, and second, to foster a suitably integrated and Establishment-minded unionism as junior partner in government’s role over the economy.³⁹

Free Trade

The moral case against trade barriers on libertarian grounds is total, complete, and straightforward. All owners of legitimately owned property have a right to trade it, on a voluntary basis, with whomever they wish. It matters not one whit that a trading partner resides in another country: human rights do not stop at national borders.

In addition to the moral argument for full free trade, there is also an economic one: trade barriers reduce economic welfare. Unfortunately, most people are not aware of the economic harm created by the policy of squelching international trade. Self-imposed banishment from the benefits of specialization and the international division of labor is a serious mistake for a large country which contains within its own borders a global scale market and many of the skills, raw materials and capital available in the entire world; for a small country this is folly indeed.⁴⁰

Even the very term 'protectionism' is a vast misnomer. It implies that the citizens are being defended against economic exploitation somehow made even more sinister by its foreign genesis. In fact, nothing could be further from the truth.

In order to see this clearly, let us start not with a nation which refuses to trade with others, but with an individual who sets up trade barriers between himself and all other people. Such a person, of course, will have to provide for all of his needs.

He will have to grow his own food, make and mend his own clothing, build a house for himself, minister to himself when he falls ill, entertain himself, and so on. Not being able to specialise in any one thing, his productivity will not be able to attain viable levels. He will be a 'jack of all trades, master of none.'

If everyone tried the path of economic solipsism, this fertile earth, which today can support the lives of more than four billion people, might possibly be able to keep at most a few million snarling savages living on a miserable semi-starvation basis.

On a national level, one argument for protectionism is that a policy of free trade would mean the loss of jobs for Canadians. And this, it must be conceded, is true. If buyers are offered the choice between a made-in-Canada sweater for \$50, and an identical one manufactured in southeast Asia for \$10, there is little doubt that virtually all consumers will choose to be thrifty and save 40 of their hard-earned dollars. The inevitable result will be the loss of Canadian jobs – in sweater production.

But let us not stop here, as do the protectionists, for there are several more effects to be considered. What, pray tell, will the consumers do with the extra \$40? They may spend it on other Canadian products, but if they do, some of the now unemployed sweater workers can find jobs in these other lines. They can save this money, but then the banks will be able to make loans on easier terms, thus creating additional jobs in construction, house building, and heavy industry. Alternatively, they could purchase four additional foreign sweaters (or other imports from other countries) for the same amount.

What will the foreign suppliers do with the \$10 (or \$50) paid to them by Canadians? One possibility is to buy Canadian products, strengthening domestic industry. They might also spend the dollars in third countries, whose nationals can turn around and purchase Canadian goods, again giving our country a boost in employment.

But what if the foreigners, perhaps determined to wreck our economy, decide instead to merely sit on their newly acquired Canadian funds? What if they merely stuff this money into their mattresses? If they were so fool-

ish, they would only succeed in giving us their sweaters for free! By this policy, they would present us with valuable commodities, and receive in return pieces of paper their own actions render worthless. This form of financial reparation would, of course, make our sweater industry superfluous, but all Canadians saving on their clothing bills would not be able to afford additional goods – and jobs would be created in the industries catering to these new desires.

If another country can make sweaters more cheaply than we can, it makes sense to concentrate on what we do best, allow them to do the same, and then to trade – utilizing the special skills and factor endowments of each region of the globe. We're not going to be a very rich nation if we make people work at jobs others can do more cheaply.

Who Loses?

The main sufferers from a policy of free trade are not the lower paid workers with generalized training, which is as applicable to sweater production as to anything else. They will find alternative employment at comparable wages.

The real losers are the protected factory owners, and the highly paid, heavily unionized workers with a great investment in skills specific to sweater manufacture. It is only they who will suffer losses unless retrained. As a result, the unions support the manufacturerers in their bid for more protection and more assistance.

Why is it, if the case for free trade makes so much sense, that we nonetheless find ourselves barricaded from affluence by high tariff walls? Although this can only be speculative, the answer seems to be in our social and economic organization. As producers, our interests are highly concentrated.⁴¹ It is the rare person who has more than one source of employment; most investors focus on one or just a few industries. But as consumers, we typically purchase literally tens of thousands of items. Our interests, here, are staggeringly diffuse.

It is little wonder then, that when it comes to considering a tariff on shoes or tooth-brushes or paper clips or bubblegum, the producers, both owners and employees, can easily mobilize on their own behalf.

The trade 'protection' may cost the general public billions, and be worth only millions to the manufacturers. Yet because of their diffuseness as consumers and because of the fact that the tariff will cost each of us only a few pennies, Canadians have little individual incentive to organize a resistance.

Libertarians and Liberalism

The populace is so befuddled by the media blitz of the real beneficiaries of trade barriers – the protected manufactures and unionized workers – that it has come to feel, vaguely, that trade barriers are really in their own and in the public interest.

Unilateralism?

A unilateral declaration of free trade on the part of Canada is hardly at the top of the agenda of most governments. But it is of the utmost importance to examine this public policy alternative.

Consider this issue from the Canadian perspective vis-à-vis that of the U.S.

A unilateral end to all tariffs, quotas and other such interferences has at least the advantage that it could be attained without the co-operation of the inward-looking Americans. Moreover, it would undoubtedly bring great benefits to this country. (To say that it would be difficult to convince Canadians of the merits of such a move, however, would be the understatement of the century).

Under a regime of this sort, Canadian consumers would be able to avail themselves of goods at hitherto unimaginably low prices. This alone would be a magnificent spur to our standard of living, and would probably do more for the well-being of the poor than the welfare program on the books put together.

Further, this boon to consumers would likely spill over to our export sector. For the additional funds spent in the U.S. would eventually return here, in the form of domestic purchases. And this could not help but spur additional employment opportunities in Canada.

Pay Equity

Canada is in the process of promoting 'equality in employment,' as called for most notably by Judge Rosalie Abella. The main finding of the Abella Royal Commission⁴² is that the female-male wage ratio of 63.9 percent is largely due to sexual discrimination on the part of the nation's employers, both public and private. Its chief recommendation is that a new affirmative action policy of 'employment equity' be implemented, which would require business and Crown corporations to change their hiring and promotion practices, until balanced job representation and equal pay have been much more nearly attained.

However, this is the wrong solution to a non-existent problem. The major finding of the Fraser Institute study is that the income gap between genders is not due to employer discrimination, but rather to differences in productivity. There is no determination that these differences are inherent, or based on genetics. Rather, one major factor is the asymmetrical effect of marriage on earnings. It raises the earnings of the husband, and reduces those of the wife. This, in turn, is because unequal child care and house management responsibilities, different psychic attachments to the labor force vs. home and hearth. The proof? Women who have never been touched by the institution of marriage, and who thus can be presumed to have productivity levels similar to those of men, do not suffer from lower incomes.

The statistics are revealing. In 1981, the female-male ratio for Canadians who have never been married was 83.1 percent. But even this is an underestimate of the true relationship, because the statistics have not been corrected for labor force experience, age, education, unionization, etc. When just one of these corrections is made, for example, and we compare female to male incomes ratios for never-marrieds with a university degree, the figure rises to 91.3 percent. (For 1971, such university educated never-married females actually earned 9.8 percent more than their equally accomplished male counterparts!)⁴³ In other words, when we consider only males and females who have never been touched by the productivity-differentiating institution of marriage, that is, compare men and women who are likely to have similar market productivities, we find no statistically significant differences in their earnings.⁴⁴

Nor are these findings a statistical aberration. An intensive study of the data collected over five censuses (1941-1981) shows that the female-male ratio for the never-married has not fallen below the 80 percent level, and has not risen above 47 percent for those who have been ever-married.⁴⁵

The recommendations of the Abella Royal Commission Report, predicated as they are on the role of employer discrimination as the cause of the income gap, will not solve the basic problem; instead, they will cause considerable mischief. For if the reason women on average are receiving only \$6.50 for every \$10.00 of male earnings is lower average productivity, it is easy to see the effect of legislation which requires they be paid on an 'equitable' basis: they will be priced out of the labor market, and hence become unemployed.⁴⁶

The tragedy of the matter is that on the market, discrimination on the basis of sex, or race, is simply not viable.⁴⁷ Were equally productive male and female employees to be paid widely varying salaries, strong profit incentives would tend to wipe out the differential. Entrepreneurs would seek

to hire the underpaid women and fire the overpaid men. For example, suppose you, as an employer, were faced with two job applicants, each with a productivity level of \$10.00 per hour. Assume that the male had to be paid \$10.00, while the woman, thanks to the magic of 'discrimination,' need only be paid \$6.50. Who would you choose? Well, unless you were an extreme sexist, you would hire the woman, because you could make an additional hourly profit of \$3.50 per hour from her labor. If you were an extreme sexist, and hired the man instead, you would soon enough go broke, as your competitors, with cheaper female labor, could underprice you.

Minimum Wage

Consider the plight of the low-wage worker, and the government's response, the minimum wage law. Public criticism of this initiative generally has been limited to carping that the minimum-wage level is not high enough, or rising sufficiently quickly. This is particularly unfortunate since the long-run effect of the minimum-wage laws, paradoxically, is not to raise take-home pay of workers with lesser skills, but often to make it well nigh impossible for them to find any jobs at all.

The major impetus behind this legislation is the fear that, in its absence, employers would be completely free to dictate the level of wages paid. In this view, it would be a calamity for governments to leave remuneration decisions for the lowest-paid workers to the tender mercies of the capitalist class. And enlightened opponents of minimum-wage laws do not deny that employers will try to pay as little as possible.

On the contrary, those like myself fully accept the self-serving attitude of employers. But we also accept the harsh reality that there is an inexorable tendency for wage levels to reflect the productivity of workers. Wage levels below worker productivity are pushed up, and those above are pushed down by self-serving employees.

Take, for example, a laborer who creates value of \$2 per hour and who is now being paid only 25 cents per hour. This means the employer makes a pure profit of \$1.75 for each hour of employee toil. This sounds bad for the worker – but it is a situation unlikely to exist in the real world, and even if it did, completely impossible to sustain.

It could not last because the \$1.75 profit per hour would act like a vacuum, sucking in competing uses of such profitable labor. Every other employer would like nothing better than to woo this worker away from his present boss and seize these extraordinary profits to himself. But the new

employer, of course, could entice the downtrodden worker only with a better wage.

And so, the upward march of wages toward \$2 per hour would cease only when the profits to be gained by attracting such a worker begin to fall below the costs of seeking him out and employing him. Therefore, we must conclude that in the absence of government intervention, a worker worth \$2 per hour will earn, at the very least, a wage not significantly below this \$2 productivity level.

But what happens with the passage of a law that says that if a firm hires this worker, it must pay, say \$3.40 per hour? He will be forced into a life of unemployment.

For the prospective employer, taking on this laborer would be a financial disaster: \$3.40 per hour would have to be paid out, while only \$2 per hour would be taken in. A firm might decide to act so unwisely in a few cases, perhaps out of charity; but if the firm persisted on a large scale, it would succeed only in driving itself toward bankruptcy.

The tragedy and the shame is that though the low-productivity worker, if given a chance of employment, usually can raise his skill levels above those rates now called for by law, with minimum wage legislation, he is effectively barred from employment in the first place. He is consigned to a life of enforced idleness, which brings in its wake many other problems: crime, alcoholism, despair, illness.

Who are these people with low economic productivity who are so mistreated by this unwise public policy? They are largely to be found among teenagers, school dropouts, native and other rural peoples, immigrants, alcoholics, the handicapped. When two or more of these categories are combined, unemployment rates rise to astounding levels.

Unemployment rates for downtrodden groups such as black, poorly educated, rural teenagers have run as high as 50%. And even these figures under-estimate the true problem, because they ignore those who have left the labor force in despair.

Nor is this country any exception to the general economic law. Minimum-wage laws in Canada have reduced employment opportunities for those at the bottom of the income scale.

Why, if the minimum-wage law is such a mistake, do Ottawa and the provinces continue this policy? The first reason is the public's fear of exploitative employers. This fear is one of the elements played on by unions.

But the key point here is that unionized labor is always in competition with non-organized and usually lower-productivity workers. Every time unions increase their wage demands, employers are to that degree more tempted to substitute nonunion labor. What better way to preclude this

Libertarians and Liberalism

possibility than by lobbying for a minimum-wage law, which substantially increases the price of these alternative workers, and thus makes them uncompetitive?

Naturally, unions attach their support of such a law to their efforts 'to raise wage levels for those at the bottom of the pay scale.' But if this were really their position, they could have no objection to a minimum-wage law that applied only to unions, one that would prohibit unionists alone from early any less, say, than \$30 per hour. However, no responsible union leader could accept this challenge, because he would be massive unemployment for his members and a new, less remunerative career for himself.

How can we illustrate the economic principle that high minimum wage levels lead to relatively increased unemployment rates for unskilled workers? One way is to calculate the unemployment rates of youthful Canadians as a percentage of those of the more highly productive adult employees, and compare them with the minimum wage levels in each of the provinces. (For our table, we choose workers between 20 and 24 as our control, because this is the youngest group of people subject to the 'adult' minimum wage law.)

	Unemployment rate for 20-24 year olds as % of rate for those 25 and over %	Minimum wage \$
Manitoba	289	4.30
Saskatchewan	257	4.25
Ontario	251	4.00
New Brunswick	237	3.80
Nova Scotia	213	4.00
Quebec	206	4.00
Newfoundland	204	4.00
British Columbia	190	3.65
Alberta	182	3.80
Prince Edward Island	n.a.	3.75

Source: Statistics Canada, Labor Department, May 1985

The results are painfully obvious. Manitoba, with the highest minimum wage level (\$4.30) has an unemployment rate for its young workers that is 1.9 times as high as that for the rest of the population. Saskatchewan, with the next greatest level (\$4.25) weighs in with the second biggest relative

unemployment rate for youth – 1.6 times as high as the rest of the population. And at the bottom of the pack in terms of the disenfranchisement of their young people, come British Columbia and Alberta with two of the country's lowest minimum wage levels. Here, youthful unemployment is only 90%+82%, respectively, higher than adult levels.

Third World Development

At first blush, aid to underdeveloped countries seems noble, humanitarian, and serendipitously, in our own national interests as well. After all, Canadian aid to the less fortunate nations surely must save people from starvation, encourage the development of primitive economies, increase our exports and enhance freedom by forestalling the spread of communism.

There is much evidence, however, showing aid programs to be questionable means towards these worthy ends. Further, there are indications that private trade and investment, currently shackled and hampered by tariff and import barriers in the Western industrial countries may be more efficacious than inter-governmental transfers.

Food grants are a major part of foreign aid, and Canada is the world leader here, meeting about 30% of its bilateral commitments in this form. (Canada funnels 70% of its total donations bi-laterally; 30% is given through multilateral channels such as the Organization for Economic Cooperation and Development.)

Foodstuffs are obviously basic, because the malnutrition which unfortunately prevails in many less developed countries is one of the blocks to economic betterment. But compelling humanitarian requirements in cases of actual famine aside, even this sort of aid is fraught with danger. Massive gifts can take the profit incentive out of local agriculture; with fewer farmers and less land under cultivation, this can paradoxically worsen, not improve, the long-term prospects of food production and hence safety from future starvation.

Capital grants are likewise destructive to long-term productivity. Although the ancient Egyptian pyramids were an extraordinary instance of capital accumulation, they resulted in no economic gain in the basic sense of contributing to the well-being of the great masses of people.

Even more wasteful are the modern equivalents of such monument-building made possible by foreign aid: the steel mills in Egypt, the modern chemical plants in India, the tractors given to aboriginal people who cannot operate them, the automatic assembly plants scattered widely throughout the Third World (which are the result of protective tariffs on automobile imports as well).

These are wasteful because the products fabricated in this highly technological manner actually cost the underdeveloped countries more to manufacture themselves than they could have paid by importing the finished product from more developed countries.

Many people deduce from the fact that the rich countries have much capital and the poor ones little that what is required is vast capital infusion. But this wet-sidewalks-cause-rain reasoning points to almost the exact opposite of what is really needed. Capital, in and of itself, does not create wealth. It is rather the *result* of a process of economic development that also includes, as complementary factors, such things as the willingness to work, the skill and education of the labor force, and relatively free and private markets protected by a stable code of laws.

One indication of the importance of these other phenomena is the fact that a large proportion of the very limited capital generated in the poor countries is actually invested in the more advanced nations, where private property rights are far more secure.⁴⁸

Then there is foreign aid in the form of technological and other education. Canada ranks third among the donor nations in this category, behind only France and New Zealand, meeting just over 15% of its bilateral commitments to the underdeveloped world in this form. But the difficulty is that in the absence of such facilities as fully equipped laboratories, libraries, computer centres, and without the mutual support of thousands of other similarly educated scientists and technologies, such aid cannot be efficiently utilized. And the proof can be seen in the immigration patterns of the educated classes in the Third World a 'reverse brain drain,' toward the more advanced countries.

Foreign aid of whatever variety – food, capital, technology, or outright cash grants – moreover sets up a welfare-like dependency status on the recipient country. In much the same manner as domestic welfare programs sap the economic ambition, vitality and progress of their local clients, so do programs on international levels have similar effects.

If foreign aid is unlikely to help the recipient, can it at least help the donor? Pragmatic considerations would seem to support this view. For one thing, the Canadian International Development Agency requires that about 80% of its bilateral disbursements be spent on Canadian goods and services.

But behind the bookkeeping legerdemain, this amounts only to a free gift of goods and services from Canada to other countries, with no offsetting returns. No one is foolish enough to suppose that German reparations to *Israel* actually benefited the economic self-interest of Germany – even though much of it took the form of exporting domestic items. Nor does the

defendant in a civil case rejoice in his new-found wealth when he is forced by a court decision to compensate the plaintiff – even in the form of goods he himself produces.

Will Canadian aid to other countries at east make it more likely that they will choose the path of democracy and market institutions rather than fall into the communist and coercive collectivist ambit? Unfortunately, not only will Western foreign aid not attain this end – it is likely to undermine it, and instead to encourage coercive socialism and totalitarianism in the Third World.

First of all, Canadian aid is traditionally in the form of government-to-government grants. This strengthens the role of the public vs the private sector in the underdeveloped countries. But political freedom is a delicate and precious flower; it cannot live where the bulk of economic activity is carried on in the public sector.

Second, Canadian foreign aid has been given to countries that have made explicitly totalitarian avowals in their centralized economic plans – and our largesse has in no small degree shielded them from the repercussions of such policies and allowed them to continue unchecked down this patch. For example, we find in the five-year plan of India, a country which continues to receive strong Canadian support, the view that ‘planning should take place with a view to the establishment of a socialistic pattern of society where the principal means of production are under social ownership or control.’

The Alternative

Of far greater benefit to the nations of both North and South is a policy of free trade and unregulated international flows of capital. This will greatly benefit the Canadian standard of living, as we can purchase many goods such as clothing from the less developed world for far less than it costs to make them ourselves. But of far greater importance, such policies will truly lead to Third-World economic development – and to tighter integration with our own economy.

How can we describe the leaders of a nation which loudly proclaims its interest in economic development for the poor countries of the world, and yet remains steadfast in its determination to maintain protective tariffs, quotas and other impediments to economic intercourse with the Third World? Only as hypocritical.

Pollution

Whatever its other accomplishments, the free market is commonly blamed for pollution and other environmental disasters. The critics – Greenpeace, self-styled environmentalists, the Sierra Club, ‘Green’ Parties around the world – all hold the laissez-faire capitalist system responsible for acid rain, unclean air, and other such problems.

A superficial response would be that there is pollution behind the Iron Curtain as well, and much of the mischievous interference with nature in the west is caused directly by government operations, such as utilities.

A more basic answer, however, is that Yes, capitalism is indeed responsible for pollution, but the fault lies with the coercive elements of the system, not with the voluntary, or libertarian aspects.

In the 1830s and 1840s there were a spate of law suits in the U.S. and Great Britain which are very pertinent to our modern experience. Typically, a woman would go to court, under the common law provision of nuisance, and complain that a factory, in belching forth smoke, was dirtying the laundry she had hung out to dry. Or a farmer would object to a railroad car passing by with sparks flying, which would burn his hay stacks.⁴⁹ The plaintiff, in other words, alleged that his private property rights were being violated, and appealed to the judiciary for an injunction to stop the affront.

The courts, in a long series of decisions which established the precedents which rule us even now, admitted that private property rights were indeed being violated by the defendants. However, they commonly held that there was something even more important than private property rights, namely, ‘the public good.’ And what did the ‘public good’ consist of, you may ask? It consisted of encouraging manufacturing! With this doctrine in mind, the case of the plaintiff was summarily dismissed, and the manufacturer was given carte blanche to use the atmosphere as he saw fit.

There are several points which must be made with regard to this sorry tale. First of all, it should be clear that this was an instance of the workings of coercive capitalism, not the free market. In the latter, but not the former, the rights of the individual and his property are sacrosanct; they are not rendered inoperable by philosophically meaningless concepts such as the ‘public good,’ or the ‘common good.’⁵⁰ Secondly, it is clear that the concept of private property rights, although much reviled by self-styled defenders of the environment, is the key to its protection. What we have here is a dramatic instance of the ‘tragedy of the commons.’ When people are allowed full title to property, they treat it as if they own it; that is, they tend to protect it. But when property rights are unprotected, and others may violate them with impunity, they do so, and *spoliation of the environment is*

