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ideas and opinions
on
individual freedom.

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Consent

A REIGN OF IGNORANCE AND IRRATIONALITY

--- By Kenneth H.W. Hilborn

(Professor Hilborn is a specialist on 20th Century international relations in the Department of History, University of Western Ontario, London. The following article originally appeared in the Phoenix, May 1989.)

For connoisseurs of the absurd in public affairs, Canada is close to being paradise. Our politicians, bureaucrats, journalists and pressure groups can compete in ignorance and irrationality with the worst in the world.

The press offers readers so many examples that it is hard to know where to begin. To pick one illustration at random --- whenever sale of government-owned assets to the public (so-called "privatization") is discussed, leftists make the point that the government in question will be "selling to the people what they already own." Just how ludicrous this collectivist contention really is becomes apparent when one asks for some simple statistics: If you are a resident of (say) Saskatchewan, and therefore a part-owner of Saskatchewan government assets, how much compensation does that government pay you if you relinquish your part-ownership by moving to another province? And how much compensation does the federal government pay to a Canadian citizen who gives up his share in Ottawa's Crown corporations by becoming a citizen of another country?

The answer in both cases is --- not a cent. That is the case because the assets belong in fact to the state, not to you as an individual citizen. Once "privatization" has allowed you to buy what leftists pretend you "already own," then and only then can you retain the asset on leaving the province (or the country), sell it for personal gain, or bequeath it to your chosen heir.

Were it not for the fact that I am primarily a specialist on international affairs, I might comment at greater length on this aspect of the socialist mentality --- and also on the lunacy of something called the Canadian Egg Marketing Agency. This Agency, which represents one of our own government's numerous attacks on the free market, recently found that demand for the product it controlled was declining. Its solution to the problem was to raise prices!

Any rational person, even one lacking a degree in economics, could have told this ridiculous egg agency that the natural law of supply and demand requires price cuts when demand falls in relation to production. That is the way to woo consumers back, and to drive out of business the higher-cost, less efficient producers who are unable to make a profit by selling at the competitive prices from which consumers benefit. But if such natural laws of economics were respected in Canada, we would not have price-fixing agencies (legalized conspiracies in restraint of trade) in the first place, whether for eggs or for anything else.

By raising the cost of goods for consumers, these price-fixing conspiracies (the egg agency is one of many) must either reduce Canadians' standard of living or lead to higher wages, which in turn mean increased costs for business --- something that puts upward pressure on prices even for goods and services sold under free-market

To those who consent, no injustice is done

conditions. In short, the fixing of prices at an artificially high level (and why else would they be fixed at all?) contributes to general inflation.

Legalized price-fixing is only a single illustration of the passion for regulation with which this country is afflicted. One recent news report opened with the sentence: "Ottawa has been urged to regulate those telephone voices that tell about a great offer on carpet cleaning, subscriptions or light bulbs..." I am sometimes on the receiving end of such telephone advertisements myself, and I already have at hand a perfect means of regulating them to my individual satisfaction. I can choose freely between listening and hanging up. So can everybody else. The notion that a government already running an enormous deficit should spend yet more money to impose further restrictions on Canadians' economic liberty is a clear case of irrationality.

If a government controls everything and the government blunders, everything suffers.

Another such case can be found in a statement made in 1987 by a notoriously anti-capitalist Roman Catholic clergyman named Remi De Roo, the Bishop of Victoria. "You either believe in the priority of people over profit," said he, "or you do not. That says it all."

No, Bishop, not quite all! For one thing, only "people" make profits. Corporations and institutions are "people" under another name --- including elderly people whose comfort in retirement depends either on interest or dividends derived from their personal investments made by pension funds.

Apparently, moreover, it has not occurred to the learned bishop that without profits or the prospect of profits, there can be no resources to invest in the expansion of a business or in the creation of new enterprises, and thus no way to provide employment capable of sustaining a satisfactory standard of

living. Lacking profitable business operations, bureaucratic socialist economies go into a nosedive to disaster; they result in living standards like those found in the Soviet Union. Some of the Communists themselves have begun to see the problem, as a consequence of bitter experience in the countries they have long misruled; but the knowledge that "people" benefit from profits, and from freedom to create and innovate on which profit-oriented capitalism is based, must have failed to break through the ideological shield protecting (and enclosing) the mind of Bishop Remi De Roo.

The bishop needs reminding that if Britain had been a socialist state a few decades ago, Nazi Germany would have had a better chance of winning the Second World War. In the 1930s, partly in response to the influence of a "peace" movement, the British government neglected national defence. In 1932, however, the Rolls-Royce company started work independently on development of a higher-performance engine for combat aircraft. The project was known as PV-12 --- the "PV" meaning "private venture." The engine that resulted, named the Merlin, was destined to power the Hurricanes and Spitfires that triumphed over Hitler's Luftwaffe in the Battle of Britain.

This story (to be found in a book entitled The Narrow Margin: The Battle of Britain and the Rise of Air Power, by Derek Wood and Derek Dempster) suggests one of the great advantages of economic freedom. Neither business leaders nor governments are infallible, but if a government controls everything and the government blunders, everything suffers. If decision-making power is widely diffused, as it is in capitalist systems, one decision-maker's blunder need not be disastrous (except for his own organization); somebody else may display more wisdom and control the resources needed to act on it.

The economic irrationality of Canada's socialists and extreme left-liberals is especially apparent in their policy prescriptions regarding sanctions against South Africa. The Canadian steel

industry imports certain South African metal alloys (such as ferro-vanadium and ferro-chromium) required for steel production. Without the alloys, as industry spokesmen have pointed out, companies will have to curtail operations and lay off workers. Obviously that would create unemployment and increase the federal government's deficit. Yet a news story in the business section of The Globe and Mail (March 21) reported that a nominally "Conservative" Member of Parliament, Walter McLean, had "said the steel industry should not be surprised to find the alloys added to the list of products covered under Canadian trade sanctions against South Africa."

The pressure to impose costly and useless sanctions against South Africa arises in part from an irrational desire in Ottawa to curry favour among the assorted mendicant dictatorships and one-party states of black-ruled Africa. These countries should focus on solving their appalling internal problems of economic backwardness, and stop trying to ruin the one advanced economy on the African continent. But since the black regimes are usually either incompetent or socialistic (if not both), they have little prospect of creating the conditions necessary for adequate progress and prosperity. In their eyes, therefore, it makes sense to divert attention from their own poor performance by fulminating constantly against the much more competent (albeit non-egalitarian) South Africa government.

What makes sense for African dictators and socialists, however, makes no sense at all for Canada --- except in the sense that Canadian politicians see an opportunity in the South African issue to strut and posture on the international stage, not only making themselves feel important but also (they hope) attracting votes from leftist church groups and other ideological crusaders at home. Thus we get the antics of Brian Mulroney and Joe Clark, with the Liberal provincial government of Ontario getting in on the comedy act by refusing to deal with Swiss banks! The Swiss banks, it seems, have committed the unpardonable sin of maintaining a normal business relationship with South African borrowers. (The Ontario policy is so excessively idiotic that even federal officials have criticized it.)

Such currying of favour with unsavoury African regimes (and with the Communist-controlled African National Congress), as well as with their Canadian admirers, is one aspect of a broader "Third World" orientation in Canada's foreign policy. This Third-Worldliness, as it may perhaps be called, has found expression in our continued support of UNESCO --- the discredited "United Nations Educational, Scientific and Cultural Organization." Both the United States and Margaret Thatcher's United Kingdom have withdrawn from that body, but Mulroney and Clark failed to do likewise; they have insisted on maintaining a flow of Canadian taxpayers' money into UNESCO's coffers.

(concluded NEXT ISSUE.)

FRANCIE



AFRICA'S MARKET HERITAGE

--- By George B. N. Ayittey

(Mr. Ayittey, a black African from Ghana, teaches economics at Bloomsburg (Pa.) University and is an associate with the Hoover Institution on War, Revolution and Peace (Stanford, California). The following article originally appeared in an October 1988 edition of the Washington Times.)

Africa faces a deep economic and social crisis. Ravaged by famine which has claimed more than 3 million lives since 1985, it is saddled with \$200 billion in foreign debt and little to show for it except abandoned factories and decaying roads, ports and other facilities.

Most African leaders continue to blame colonialism, American "imperialism", international lending institutions and a hostile global economic system for their problems. But even the allegedly "backward and illiterate" peasants of Africa know better. More than 8 million peasants have voted with their feet on their leaders' economic policies. The United Nations estimates that more than half of the world's refugees today are in Africa. Earlier this decade, some Ghanaian peasants even called on Britain to recolonize the country.

True, colonialism did not bequeath much to Africa. Yet, in many countries the leadership could not even hold onto, let alone expand, what little Africa got. When Zaire gained independence in 1960, it had 31,000 miles of main road. Today, fewer than 3,500 miles are usable. In Uganda, Makerere University, in the 1950s called the "Harvard of Africa", is in ruins.

The destruction even extended to Africa's own indigenous institutions. For centuries, African natives pursued economic activities on their own. All the means of production, except land, were privately owned by the tribesmen, not the chiefs. Dugout canoes, fishing nets, hunting gear, livestock and huts always belonged to the natives. The land was communally owned, but the produce was sold by the individual farmers in free and open weekly fairs.

These native institutions of free enterprise and free trade were all present, albeit at a pristine stage, well before the Europeans set foot in Africa. Early explorers also discovered a dense web of trade routes crossing the continent. Most notable were the Trans-Saharan trade routes, which existed as far back as the 10th century, well before Africa's "discovery" in the 15th century.

Located at the southern end of the Trans-Saharan trade routes were such important market towns as Timbuktu (Mali), Salaga (Ghana), and Kano (Nigeria). In East Africa, there were similar free trade routes along the Zambesi River and Sabi Valley, linking Mombasa (Kenya) and Ivuna (Tanzania).

More important, Africa's traditional rulers did little to interfere with this economic activity. In fact, one of the customary roles of the chiefs was to provide a peaceful atmosphere for their subjects to engage in trade and commerce. The chiefs seldom monopolized commerce, fixed prices or operated tribal government enterprises. Profits from commerce were for the peasants to keep, not for the chiefs to expropriate.

After colonization, the European rulers sought to control economic activities but failed as often as they succeeded. While there were many abuses, such as forced labor on plantations, for the most part native economic activities remained free.

In fact, the Europeans never monopolized any economic activity—agriculture, fishing or commerce. A few large European firms dominated various sectors of the economy, but many native businessmen, despite their lack of skills, competed successfully with European firms.

Entrepreneurial profit ... is the expression of the value of what the entrepreneur contributes to production in exactly the same sense that wages are the value expression of what the worker "produces." It is not a profit of exploitation any more than are wages.

--- Joseph Alois Schumpeter

Upon independence, not only colonial institutions, but even Africa's own indigenous institutions came under assault. Native traditions of free markets and free trade were viewed by Western-educated African leaders as colonial institutions designed for the exploitation of the peasants.

In Guinea, President Sekou Toure's dogma of "Marxism in African clothes" made unauthorized trading a crime. Policy roadblocks controlled internal trade, cross-border smuggling was punishable by death and farmers were forced to deliver annual harvest quotas to "Local Revolutionary Powers".

In Ghana, Kwame Nkrumah's "socialism" sought nothing less than "the complete ownership of the economy by the state". By 1970, nearly 6,000 prices relating to more than 700 product groups were controlled. Indigenous free markets were literally blown up and burned by government troops.

Asked what he understood by "socialism", a member of Zimbabwe Prime Minister Robert Mugabe's Cabinet replied: "Socialism means what is mine is mine, but what is yours we share". Under the eccentric ideology of "Mobutuism," the president of Zaire is now one of the richest persons in the world, with more than \$8 billion in Swiss bank accounts.

Even Bishop Desmond Tutu of South Africa has lamented the situation. While "South Africa is noted for its vicious violation of human rights, (it) is also very sad to note that there is less freedom in some independent African countries than there was in the much-maligned colonial period," he said last year.

Only by restoring Africa's heritage of free enterprise and free trade can we find a viable cure for the current crisis.

"TAKE MY LUMBER, PLEASE"

--- By Walter Block

(Dr. Block is senior economist at the Vancouver-based Fraser Institute. The article below originally appeared in an October 1988 edition of the Financial Post.)

A new phrase has entered the common lexicon: "The level playing field." It sounds like sports jargon, but it is not. Instead, it refers to a rather technical aspect of the international trade negotiations between Canada and the U.S.

The level playing field alludes to a situation in which the citizens of neither country have an unfair competitive advantage over the other. If trade between nations can be represented by a playing field, then it should tilt neither one way nor the other, nor should the wind be at the back of either team, nor the sun more in the eyes of one side than the other.

The practice of particular concern to advocates of the level playing field is that of subsidizing exports. The Americans, for example, are worried about the cheap fish sent to their country.

This is a result, they contend, of our *Fundamentally, there are only two ways of coordinating the economic activities of millions. One is central direction involving the use of coercion -- the technique of the army and of the modern totalitarian state. The other is voluntary cooperation of individuals -- the technique of the marketplace. -- Milton Friedman*

unemployment insurance scheme, which pays people all winter for what is in effect only a seasonal summer job.

In the view of the Americans this is only a thinly disguised form of subsidy for our Atlantic fishermen, one that harms their own maritime industry. For without this advantage, our fishing industry would not be able to compete so efficiently. Instead, they want a "level playing field," where the Canadian government does not help its citizens to compete "unfairly" against Americans.

In a superficial analysis, this point of view makes sense. After all, there are specific losers --- the New England fishermen --- who suffer directly from Canadian unemployment insurance. But if we look a little deeper, we can see that insisting on a "level playing field" makes no economic sense at all.

To prove this, let us consider an extreme hypothetical case where the Canadian government encourages us to give away our goods to them for free.

For example, suppose that a law were passed tomorrow permanently subsidizing to the rate of 110% all free gifts of lumber to the U.S. That is, for every \$100 worth of wood products we sent across the border at a zero price, our government would give us \$110. We pass lightly over the objection that this would bankrupt Canada even faster than at the present furious pace, and ask only what effect this would have on the economy of the U.S.

Here, it is easy to see that although this policy would drive into bankruptcy the entire American forest industry, it would be a boon to their economy as a whole. They could have just

as much wood as before, while freeing up large numbers of workers, and whatever capital could be transferred to other occupations. In this way, their standards of living would rise, with no additional inputs.

This is all that an "uneven" playing field consists of: an offer from one country to subsidize the economy of another. Instead of objecting to other nations pursuing such policies, each should encourage others to tilt the playing field in the direction of subsidizing exports. And yet, the economic level of sophistication that commonly prevails in North America holds the very opposite --- that each nation should protest when its neighbors subsidize it.

Lunacy is not only to be found in the psychiatric wards.

DANGEROUS TO OUR HEALTH

--- By William Frampton.

(Mr. Frampton is Freedom Party's Regional Chairman, Metro Toronto.)

"Lack of beds killed hubby, wife claims" read the newspaper headline of January 14. But what the headline and article didn't say was --- what caused the lack of beds?

While the tragic deaths of patients waiting for surgery may well be due to the worsening shortage of hospital facilities, it's time to wake up to the fact that such shortages are the inevitable result of any system of socialized medicine.

All useful products and services--- including health care --- must be produced before they can be consumed. Since no one will produce without being paid for their work, there can never be any such thing as "free" health care. Health care, like other things in life, will always have a price tag attached. The only questions to be settled are how much will it cost and who will pay for it?

The price of any good is determined by supply and demand in the market. Market prices give producers vital information about the quantity of any good that is desired by the public. Changes in demand modify prices, which in turn tell producers how the supply should be adjusted. Any interference with this process makes it impossible to solve the problem of how much should be produced.

Under socialized medicine the bills are paid directly by the government. Since the patient never knows how much his care costs, he has no incentive to restrict consumption and as a result, demand skyrockets. The government has artificially inflated the demand without a corresponding increase in the supply, creating an inevitable shortage. As a result, costs have escalated much faster than its ability to pay them.

As long as Ontario has a government-controlled health care system, the situation cannot improve. Socialized medicine is dangerous to our health.

ONLY RIGHTS REVEAL THE WRONGS OF DEMOCRACY

--- By Greg Jones

(Mr. Jones is Freedom Party's Ontario Action Co-ordinator.)

In a newspaper editorial titled "Our democratic duties should take precedence over rights", the writer, B.E. Smith, implied in his definition of democracy that in the event of disagreement between an individual and the rest of society concerning that individual's rights, that the dissenter be required "gracefully to accept majority decisions which were not entirely to his liking."

There is another, better description for the process of forcing an individual to comply with terms with which he does not agree --- majority rule. In other words, whoever has the most people behind him, wins.

Like so many voters today, Smith claims that "duties" take precedence over rights. He says that the right to vote is our only right, and the only right of dissent is limited to the ballot box. By logical extension, this means that some of us have the right to enforce our wishes on others, and any freedoms that individuals now enjoy can be taken away by the whim of the rest of "society" during an election.

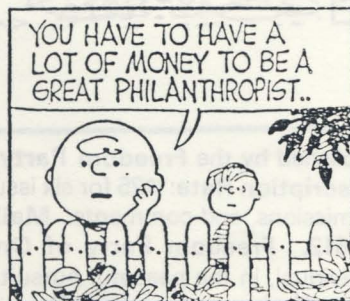
Having accepted this premise, it is not surprising that Smith would argue that we must obey all laws (whether or not they violate our rights doesn't seem to matter), and that we must be prepared to die for what the country stands for (regardless of how evil the government of the day may be). Since our only right,

according to this line of reasoning, is the right to vote, this means literally that our lives may be disposed of by the rest of society at a moment's whim.

The concept which Smith and many others who accept his line of reasoning do not recognize is that of individual rights, specifically, the rights to life, liberty and to own property. Contrary to any other prevailing belief, rights are the only standard of justice, for a right to something pertains to a freedom of action.

Individuals in a free society are therefore free to exercise their rights to the extent that they do not interfere with the identical rights of others, and if it should happen that a person's rights are being infringed upon, then that person must also have the right to appeal to clear, objective laws to correct the wrong.

Any society that proposes to tell individuals what they may and may not do with their lives, their freedom and all they own is not a civilized society, but an unruly mob. The spectacle of an editorial writer proposing this very thing on the pages of a supposedly "free press" is a testament to how many are so willing to participate in the destruction of their own rights --- simply because they do not recognize the fundamental concepts on which their rights are based.



INSURING DISASTER

--- By David Pengelly

(Mr. Pengelly is president of Freedom Party's Don Mills constituency association.)

Automobile insurance is in trouble. In the 1987 provincial election, the NDP promised to set up a government insurance company to further tighten government control of the economy. This was a socialist policy from a socialist party. What else can you expect?

The Liberals decided to use the "state-capitalist" (a contradiction in terms) approach. "State-capitalism" allows individuals to "own" property, but government controls the property through regulation. (Otherwise known as fascism, today's advocates of the philosophy like to turn a deaf ear and a blind eye to any suggestions that this was the economic system used by the Nazis or by the many right-wing dictatorships sprinkling the globe today.)

To implement their approach, the Ontario Liberals set up a board which spent millions of taxpayer dollars to rework the insurance rules and set rates. This rate allowed some increases up to 17% and would force safe, more experienced drivers to subsidize more reckless younger drivers. Women would also pay more. Insurance companies spent more millions reprogramming their computers to operate on the new rules.

There were complaints from the groups who, quite rightly, thought they were being plundered to support other drivers. The Liberal government then changed its mind, adding insult to the wasted millions of dollars that had already been spent. It went back to the old system but only allowed increases of 7.6%, even though it knew the companies required 17%.

There is a rule in business, that if you are going to consistently lose money doing something, then you do not do it. Federated Insurance, Upper Canada Insurance and CIGNA General stopped doing business. Several others, including Prudential and CoOperators, stopped taking new customers.

Instead of making things better, government interference has made it worse. More interference, such as a provincial government insurance company, will make it worse still. Taxpayers will end up subsidizing drivers. The only solution is to remove the government regulation and let people choose their insurance company on the basis of service, coverage, and rates.



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