

Freedom and Property

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Patriots Celebrating Freedom Rally
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I am happy and honored to be asked to speak at this rally celebrating freedom. It is also timely for me to address this important topic. Just last month I was blessed with the opportunity to give a Founders Lecture about economic freedom in the early American republic for the Center for Vision and Values. So my mind has been mulling over these issues in earnest for that past couple of months. Additionally, it is indeed a crucial time in the history of what's left of our republic. In fact, *every* day is crucial because, as our forebears often noted, "Eternal vigilance is the price we pay for liberty." I am reminded that this is true every 4th of July.

When I was a boy, one of my favorite holidays was Independence Day. I was an enthusiastic student of the War for Independence. My favorite book was the *How and Why Wonder Book of the American Revolution*. I spent a lot of my childhood reading about the Colonial era, the lives of people like Sam Adams, Paul Revere, Thomas Jefferson, Patrick Henry, and George Washington. I learned all about our American forefathers' struggle for liberty against a King who merely treated them as revenue generating pawns. I was nine years old when the U.S. celebrated its Bicentennial and my mother wallpapered my room with a red, white, and blue colonial American themed paper and I had various prints of famous revolutionary war scenes hanging on the walls. I looked forward every year to the day celebrating the signing of the Declaration of Independence.

Over the years, alas, my enthusiasm became dampened so that now, if I am exposed to any mainstream media celebrations of Independence Day, I do not feel the joy I once did. Instead I feel

more like Charlie Brown at the beginning of *A Charlie Brown Christmas*. Remember in that childhood classic how, when Christmas approaches, Charlie Brown tells Linus that he knows he should be happy, but instead he always ends up feeling depressed. I increasingly get the same feeling as people gear up for 4th of July celebrations.

Now, much older and, I think wiser, when I hear the popular media talking about our freedoms, the Declaration of Independence, the Liberty Bell, Celebrate America concerts, and all the rest on the Fourth of July, instead of being happy, I feel a tinge of sadness. I like celebrating the Fourth of July by, say, gathering with friends, teaching my Children about the founding fathers, reading the declaration, and watching fireworks, but when I think about where we started and what we have become, like Charlie Brown I end up melancholy. And this is because the politicians and the talking heads in the media clearly have no idea what they are talking about. Most seem to not even know what liberty really is. The only politician at the national level who spoke about freedom and the Constitution with actual conviction was Ron Paul and they laughed him off the stage. Instead, the media talking heads try to make us believe that we are free because we are allowed to have other people vote away our liberties.

At the beginning of every major sporting event, Americans pay lip service to land of the free and the home of the brave, but everywhere they are in economic chains. Last year total government spending was \$6.1 trillion. That is 6.1 *Trillion* with a *t*. That number amounts to over 36% of GDP. The Federal budget deficit the past fiscal year was \$680 billion, which is the fifth highest on record—the four highest being the previous four years. Not surprisingly our government debt has skyrocketed. By the end of this fiscal year, the Federal government is expected to be almost \$18 trillion in debt. That will be 103% of GDP.

Now, the important point to remember with respect to our freedom is that every single penny of government spending represents government control. When you spend money to purchase a loaf of

bread, a tank of gas, or a pair of pants, you become owners of these economic goods and can use them as you see fit. When the government spends money, it gains control of economic resources. And the more of our resources under bureaucratic control, the less free we become.

Additionally, government control of our society is greatly bankrolled by the central money creating machine, the Federal Reserve. It has maintained a record high monetary base as the money supply increased \$755 billion over the past year. That is a 10% increase over 12 months. It is all too obvious to the man on main street that such monetary inflation provides no social benefit, but sows much economic harm. It decreases the purchasing power of the dollar, and especially hurts the most vulnerable of our citizens who live on fixed incomes. At the same time it rewards cronies—not for producing goods that are actually profitable, but for going to the right parties and exerting the right influence on members of the ruling class. Inflation also generates the business cycle which always results in recession and unemployment. Perhaps you've heard of the real estate and derivative bubbles of 2008?

The Leviathan state's control goes beyond dollars, however. In fact, our rulers seem to want to control as much of our lives as possible. The 2013 Code of Federal Regulations had an all-time record number of 168,000 pages. And these laws regulate virtually every area of our lives. Government bureaucrats simply do not trust buyers and seller to voluntarily agree on acceptable goods at acceptable prices. Did you know that the federal government regulates the production of Battery Chargers, Ceiling Fans, Central Air Conditioners, Clothes Dryers, Clothes Washers, Clothing itself, Computer and Battery Backup Systems, Dehumidifiers, Dishwashers, Furnaces and Boilers, Kitchen Ranges and Ovens, Lawn Mowers, Microwave Ovens, Swimming Pool Heaters, Refrigerators and Freezers, Window Air Conditioners, Televisions, Cable and satellite TV Boxes, Water Heaters, Commercial Ice Makers, Industrial Clothes Washers, Compressors, Electric Motors, Fans and Blowers, Refrigerated Beverage Vending Machines, Refrigeration Equipment, Walk-In Coolers and

Freezers, Ceiling Fan Light Kits, Lamps, Fluorescent Lamp Ballasts, Illuminated Exit Signs, Light bulbs, Flash Lights, Faucets, Showerheads, and Flush Toilets? And this is not even an exhaustive list. Exhausting yes, but exhaustive, no. The USDA regulates the marketing of cotton, milk and dairy products, fruits and vegetables, and livestock, poultry, and feed. They even have detailed instructions mandating the cornbread-to-meat ratio required in a commercial corn dog! They won't even let us produce and sell corn dogs on our own! In the land of supposedly free enterprise, a full 38 percent of workers employed need a government license or certification just to do their job. In the 1950's the number was about 5%.

Every single one of these regulations hacks away at our freedom. They restrict our ability to enjoy mutually beneficial voluntary exchange, and thereby make our life more difficult. They also leave us relatively impoverished because they make us less productive and hence reduce the quantity of goods people are able to use to sustain their families. Such data begs the question, what sort of independence are we celebrating? It cannot be independence from a controlling state.

One of the great intellectual errors that drive such despotism the view that the independence we celebrate is primarily about egalitarianism. After all, the most famous phrase in the Declaration *does* say, "All men are created equal." Hear this statement in context, however. The passage in question reads, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness." Clarence Carson, who taught history at Grove City College in the 1960s noted that there are three kinds of equality the Declaration affirmed: first, that in 1776 Americans were the equals of Englishman; second, that every person had the divine and natural right to liberty. The common way of stating the doctrine at the time was that each person has a natural right to life, liberty, and *property*. He has the right to not be murdered, the right to use his mind and body without restraint

by others, and the right to the fruits of his labor. The third kind of equality Carson identifies is the right of all the people in general, not a small portion of them, to revolt.

It is by so many missing this connection between freedom and property that our nation is where it is. The fact that one of "the unalienable rights" asserted by the signers of the Declaration was the right to property makes it clear that the principles of the Declaration of Independence are antithetical to our current government's policy of confiscation and control.

The link between liberty and property is absolutely crucial both for understanding the true American tradition and for the survival and development of civilization itself. This is so because the maintaining and progressing of civilization requires economic development. And economic theory identifies three sources necessary for such economic progress: the division of labor, capital accumulation, and entrepreneurship. The division of labor opens the door to increased productivity by allowing people to specialize at lines of production where they are most efficient. This increased productivity results in higher real incomes and societal wealth. However, people can only benefit from the division of labor if they are free to exchange the goods that they produce.

The use of capital goods contributes to economic progress by increasing the productivity of the user. However, before capital goods can be used, they must be produced. In order to accumulate capital, people must be willing to put off present consumption so that they will have resources available to invest in production of capital goods. The more they are willing to save and invest, the more capital goods they can accumulate, resulting in increased productivity, incomes, and wealth. Likewise, with more capital investment comes better technology that will further increase productivity.

In order for economic progress to continue over time, however, it is important not to waste capital that has already been accumulated, which is why entrepreneurship is the third major contributor to economic development. Waste is possible, because in the market division of labor, businesses

produce for other people. And production decisions must be made in the present based on a forecast of *uncertain future* market conditions. If a producer forecasts incorrectly, he will squander his capital making something people do not want and will not be able to sell his output at the price needed to cover his costs.

Entrepreneurs must use economic calculation if they are to direct factors of production toward their most valued uses. Market prices allow entrepreneurs to make meaningful comparisons of social value between different consumers' and producers' goods because money prices are all expressed in terms of the same good. These same objective prices are determined by the subjective preferences of buyers and sellers. If the expected price of a final product is greater than the sum of the prices of the factors of production, the entrepreneur will produce that good. When entrepreneurs reap a profit, therefore, they do it precisely by providing those goods that people value the most in the least costly manner. The free market profit and loss system encourages us all to make the best use of our scarce economic goods.

One cannot neatly sever the components responsible for economic expansion from one another and find a single key that explains economic progress. A highly developed division of labor would be impossible without the accumulation and use of capital goods. Likewise, the entrepreneur must invest real capital in the production process. At the same time, capital *per se* never guarantees economic progress either, because it must be wisely utilized. If an entrepreneur errs in his market forecast, he can indeed reap large losses. Economic progress, therefore, is the happy consequence of a highly developed division of labor, taking advantage of an increasing capital stock wisely invested by entrepreneurs.

Consequently, if we want society to benefit from economic expansion, we need social institutions that foster the development of all three. Searching for a common condition that is necessary for all of the above to function, one finds that all require the institution of private property.

Because it is voluntary exchange that makes the development of the division of labor possible, we will benefit from the division of labor only if dwelling in a society with institutions supporting voluntary trade. We cannot trade what we do not own, so we can only engage in exchange in an environment of private property. Therefore, in order to take advantage of the division of labor and benefit from the economic development that flows from it, members of society must be secure in their property.

Likewise, for capitalists to have the incentive to accumulate capital, they must be secure in their property. If, for example, the state enforces confiscatory taxation, capital accumulation is hindered because taxes reduce net incomes, so capitalists have a smaller quantity of money available for savings and investment. Additionally, capitalists have less incentive to save and invest, because they are guaranteed a smaller return on their investment.

The entrepreneur's need for monetary market prices in order to calculate profit and loss also points to the necessity of private property for entrepreneurship. Only voluntary prices are manifestations of the subjective values of the buyers and sellers in society. Again, voluntary exchange requires private property. Without voluntary exchange there can be neither money nor market prices. Without economic calculation, those directing the allocation of factors of production have no way to know how to allocate them wisely. Capital is consumed and standards of living fall.

A corollary of security of private property is security in general. For the division of labor to develop and extend, society must enjoy peace. As Ludwig von Mises said in his great book *Human Action*, "The market economy involves peaceful cooperation. It bursts asunder when the citizens turn into warriors and, instead of exchanging commodities and services, fight one another." The division of labor is able to develop only because its participants expect lasting peace and the ability to exchange

that goes along with such peace. Conflict destroys the division of labor, because it forces each group to consume only what it produces.

The lesson of economic theory and practice is clear. As the institution of private property goes, so goes society. This was recognized by the great 19th century pastor and college president Francis Wayland. He noted in his *Elements of Moral Science* that “Just in proportion as the right of property is held inviolate, just in that proportion civilization advances, and the comforts and conveniences of life multiply. Hence it is, that, in free and well-ordered governments, and specially during peace, property accumulates, all the orders of society enjoy the blessings of competence, the arts flourish, science advances, and men begin to form some conception of the happiness of which the present system is capable. And, on the contrary, under despotism, when law spreads its protection over neither house, land, estate, nor life, and specially during civil wars, industry ceases, capital stagnates, the arts decline, the people starve, population diminishes, and men rapidly tend to a state of barbarism.” When a society rejects the right to private property, which is the bedrock of all of our freedoms, it is committing suicide. And yet that is what too many in our culture seemed primed to do.

Recently the new darling of the left, Massachusetts senator Elizabeth Warren wowed a convention of liberal bloggers and activists with 11 tenets of progressivism. They included calls for increased regulation of financial markets, the environment, the internet, and labor markets, a higher minimum wage, and subsidies for higher education, increased Social Security, Medicare, and pensions.” Now, we surely have serious social ills that need addressing. However, they are the consequences of government aggression against private property in all its variety. And what is the suggested solution? More of the same: increased regulation, more government spending, higher taxes on the productive, more monetary inflation. In short—the destruction of private property. And with

that, the destruction of freedom and the selling of our American economic birthright for a mess of socialist pottage.

We have embraced the age of the Pharaoh and kissed it full on the mouth. We must face the dismal fact that from the perspective way too many in our society, there is no such thing as truly inviolable private property. If the state wants to take anything from anyone, it merely has to invent a right, pass a law, and there it is. "So let it be written. So let it be done." The only right to private property we enjoy is very fleeting and only exists until the government decides it needs some more of what is ours. Meditate these facts the next time you hear Lee Greenwood sing he's proud to live "where at least I know I'm free."

Over a decade ago I remember the venerable Paul Harvey quipping that Madison Avenue has been busy selling homemade taste to a generation that does not even know what homemade tastes like. Similarly, our rulers and their propagandists always busy themselves around Independence Day selling liberty to a people who do not even know what liberty is.

Nevertheless, we must not give in to despair as the enemies of freedom would have us do. We must instead jump once more into the breach to defend our American tradition of liberty, property, and the free society. And this requires that we refuse to be duped by our politicians. Remember that we are told by the Psalmist that "It is better to take refuge in the Lord than to trust in princes (Ps. 118:9). We need, instead, to hold their feet to the fire. We should not put up with their mere sloganeering about freedom. It is easy for politicians and their intellectual supporters to champion "markets," all the while finding reasons to curtail private property in their efforts to regulate the economy. They praise freedom and then expand the welfare-warfare state. Such empty rhetoric results in little except angry cynicism fostering an anti-capitalistic mentality that believes that the persistence of our economic problems is the result of a free market, instead of the consequences of the obstacles that hamper it. Demand our politicians to end the charade or find another job.

We then must champion private property to ourselves and to our neighbors. Each of us needs to be willing to turn away from Leviathan state and any goodies it promises us. And then we need to explain to our fellow man why prosperity and human flourishing is able to abound only in a free society undergirded by private property. Surveying our cultural horizon, the vista is clear and the battle lines are starkly drawn. What Patrick Henry said about himself over two centuries ago, is sadly true about our contemporary society, culture, and the American tradition “Give me liberty, or give me death.”