DEMOCRACY AND PROPERTY RIGHTS

Most people know that democratically elected politicians are generally rather poor national managers, who, as Churchill noted, are the worst except for all the undemocratic politicians.

Most of us brought high ideals and even higher hopes to our calling. We didn't set out to cause inflation and unemployment, or to cause a country with so many natural advantages to suffer such dismal economic growth. In the first instance we didn't intend to stop people doing simple things like selling air tickets by threatening them with gaol. Liberals at least didn't intend that the public sector should grow at the expense of the private. We did not set out to break our word so very often. But somehow it all got too much for us as we were carried along by the system and our past mistakes.

Some people won't believe it, but the politicians who were my colleagues and my political opponents were on the whole a decent bunch. We were not on the whole specially venal, mendacious or stupid, yet too many misguided steps carried us further from our professed goals.

Doubtless in search of exculpation I am an avid reader of explanations of political behaviour. Although the latest Centre for Independent Studies' publication, "Democracy in Crisis", offers little hope that political democracy will lift its game, it advances an understanding of the underlying conflict between democratic government and the goal of a free market economy. On the whole I am less pessimistic than its authors. As organisations like CIS explain the nature of political failure our democratic politicians can be induced to accept checks to their powers as others have before them.

Democratic government both protects and alters the rights of individual people. This means that people can improve their well-being either by producing those goods and services people most want, or by putting the same effort into getting governments to change the rules to re-allocate wealth from others to themselves. The first, since all exchanges are voluntary, makes everybody better off. The second, since some must always lose, requires compulsion. The first adds to the sum of well-being; the second reduces incentive, production and aggregate wealth.
Ownership is not simply possession of goods, franchises, skills or whatever, but is in fact, a long list of rights to use or dispose of those goods, franchises, skills etc. These rights can be, and are, whittled away one at a time by governments. When we buy and sell something we exchange rights not only to possess, but also to consume, resell, reshape, transport etc., those goods. The price of the exchange will depend on the nature and extent of the parcel of rights. A block of land is more valuable if zoned to permit high rise development, or if it includes mineral rights than if it does not; a bushel of wheat is more valuable if it can be sold to any buyer.

(Governments, by revoking these rights, change the value of the goods, franchises, and skills to which the rights were attached.) Anti-pollution controls revoke pre-existing rights of car users and makers; price controls revoke rights to the use of money; occupational licensing revokes individuals' rights to buy and sell skills, and so on.

It is particularly easy for governments to attack companies. The rights which once attached to company shareholding and to users of companies' products, have been confiscated by governments and transferred to "worthy" ends, such as employees, welfare payments to the poor and not so poor, the environment, the untrained, and minorities. The loss of these rights is reflected in the price of shareholders' claims to the company in the capital markets. In the eighteen years to December 1982, the real value of the Dow Jones Index fell by 62%.

In Australia, over the same period, equity stocks after tax have shown substantially negative returns, not explained by a major economic collapse. At the same time investments not so subject to democratically sanctioned confiscation, such as commodities, objects of art, gold and homes, have maintained value. The CIS authors carry no brief for shareholders as such, but without investors a productive future is impossible.

Those who would have the government abrogate individuals' rights have sought to excuse themselves with a spurious distinction between human rights and property rights. (Property can have no rights - all rights are human rights. The right to trade the fruit of human effort is no less a human right than is free speech, and it is even more relevant to day to day life.)
Politicians and bureaucrats are not passive agents of popular opinion, but are themselves jealous of the rights they hold. Stable private rights, by their nature, reduce politicians' rights. A constant stream of requests from people asking governments to intervene is all the excuse that politicians need to subordinate private rights to government control.

Real and imagined crises generate demands that politicians expropriate private rights to save the environment, whales, women, home buyers, home renters, petroleum users, sport, hi-tech industry or almost any cause that can generate bloc allegiance. Political entrepreneurs devote a great deal of effort to convincing the public of the existence of crises and of their own ability to solve them.

I am reminded of some advice given to President Eisenhower: "Don't do something Mr. President. Just stand there." Eisenhower played a lot of golf and I suspect the United States was better for it. However, most politicians prefer power to golf. They want to fix people's problems, both because they are good natured, and because they enjoy authority. Unable to establish a comprehensive table of priorities, they make good fellows of themselves at the expense of those citizens who offer least political threat.

When considered in general terms, many politicians know that their interference is wrong, for the evidence of failure is all about them. Even so, each particular case, when it first appears, looks an exception to general rules, which justifies denial of some peoples' human rights to benefit others. Some cases are indeed exceptions, but most are not. Many other politicians do not yet understand the principles they violate and the harm they do.