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Reflections of a Former Marxist on Property and Property Rights

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Seminar on "Property and Freedom", Friedrich Naumann Foundation

Millenia Suites, Ortigas Center, Pasig, Metro Manila,

September 7, 1009



Outline of Presentation

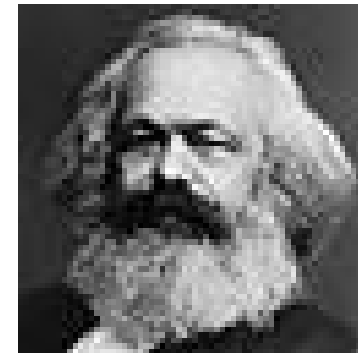
1. Introduction
2. Das Kapital
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5. Hayek on property
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8. Intellectual property and freedom
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1. Introduction

- Marxism in UP
- Nat-dems and shallow understanding of Marxism
- BISIG and open campaign for socialism
- Trotskyist school in Amsterdam

2. Capital: A Critique of Political Economy (3 volumes)



by Karl Marx, edited
by Friedrich Engels





Kapital, Vol. 3

“Employing surplus value as capital, reconverting it into capital, is called accumulation of capital.... From a concrete point of view, accumulation resolves itself into the reproduction of capital on a progressively increasing scale. The circle in which simply reproduction moves alters its form and changes into a spiral.”



Kapital, Chap. XXIV

“Capital, presupposes a social concentration of means of production and labour power, is here directly endowed with the form of social capital (capital of directly associated with individuals) as distinct from private capital... It is the abolition of capital as private property within the framework of capitalist production itself.”

3. The Communist Manifesto

1st Edition 1848 (German)



The distinguishing feature of communism is not the abolition of property generally, but the abolition of bourgeois property. But modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products that is based on class antagonisms, on the exploitation of the many by the few.

The theory of the Communists may be summed up in the single sentence: Abolition of private property.



The Communist Manifesto

- “modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products that is based on class antagonisms, on the exploitation of the many by the few.
- In this sense, the theory of the Communists may be summed up in the single sentence: Abolition of private property.”



A bit of digression

- 1st successful Marxist-socialist revolution, Russian Bolshevik revolution in 1917, led by Lenin
- Philippine communism: the PKP in the 40s – anti-Japanese occupation, land redistribution
- The CPP (1969 to present) – Maoist, anti-imperialist, anti-feudal, but not explicitly anti-capitalist



The Communist Manifesto

“Capital is therefore not only personal; it is a social power. When, therefore, capital is converted into common property, into the property of all members of society, personal property is not thereby transformed into social property. It is only the social character of the property that is changed. It loses its class character.”



4. Why Marx was wrong (1)

- “The average price of wage labor is the minimum wage, i.e., that quantum of the means of subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer.”
- Wrong. The average price of labor is between the minimum wage and the wage of the most skilled or “most favored” workers.



Workers segmentation and wage differentiation

- In a competitive market, there are various “equilibrium” wage levels where supply meets demand. **No** single wage level that applies to all workers in all companies in all industries and sectors at all time.
- In one big company, workers are stratified or segmented into different functions with different skills and different wages.
- Those with higher wages will someday become property owners and start-up capitalists themselves.



Why Marx was wrong (2)

- “The bourgeoisie has stripped of its halo every occupation hitherto honored and looked up to with reverent awe. It has converted the physician, the lawyer, the priest, the poet, the man of science, into its paid wage laborers.”
- Wrong. May be true before, but capitalism has liberated these professionals from the owners of physical property (PP) and they have become intellectual property (IP) capitalists, inventors of non-physical properties: new song, new seed, new medicine, new software,...



Why Marx was wrong (3)

- Assumption that capitalists do not contribute their own labor, that only laborers contribute, to capital accumulation and hence, to private property.
- Wrong. Putting up a business, much more expanding it, is not for everyone. Lots of mental and manual work are needed to assemble various factors to produce a particular product or service.

5. Hayek on Property

- Friedrich von Hayek (1889-1992), Austrian economist and political philosopher
- two most important safeguards according to him: rule of law, and private property.
- See my 2 papers on rule of law:
- [“Hayek Reader: Liberty and Rule of Law”](#) and
- [“Hayek Reader 3: Inequality, Meritocracy and Responsibility”](#).





Hayek on property (1)

“The recognition of private or several property is thus an essential condition for the prevention of coercion, though by no means the only one. We are rarely in a position to carry out a coherent plan of action unless we are certain of our exclusive control of some material objects; and where we do not control them, it is necessary that we know who does if we are to collaborate with them.”



Hayek on property (2)

“A person with practically no property of his own (beyond personal belongings like clothing) we can leave the care of the property that serves our needs largely to others. The important point is that the property should be sufficiently dispersed so that the individual is not dependent on particular persons who alone can provide him with what he needs or who alone can employ him.”



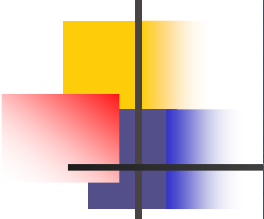
Hayek on property (3)

“That other people’s property can be serviceable in the achievement of our aims is due mainly to the enforceability of contracts. The whole network of rights created by contracts is as important a part of our own protected sphere, as much the basis of our plans, as any property of our own... It is competition made possible by the dispersion of property that deprives the individual owners of particular things of all coercive powers.”

6. Ludwig von Mises (1881-1973)

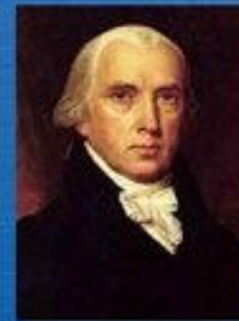
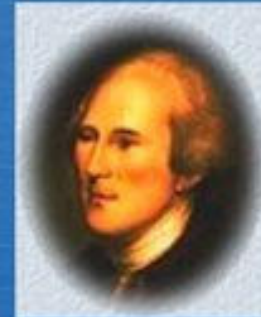
“The program of liberalism, therefore, if condensed into a single word, would have to read: property, that is, private ownership of the means of production... All the other demands of liberalism result from this fundamental demand.”





Property, Liberty, and Rights Form a Seamless Whole

- “The right of property is the guardian of every other right, and to deprive a people of this, is in fact to deprive them of their liberty.”
 - Arthur Lee, “An Appeal to the Justice and Interests of the People of Great Britain, in the Present Dispute with America (1775)
- “In a word, as a man is said to have a right to his property, he may be equally said to have a property in his rights.”
 - James Madison, “Property,” (1792)



Source: <http://tomgpalmer.com/wp-content/uploads/legacy-images/Lee%20and%20Madison%20on%20Property2.jpg>

7. International Property Rights Index (IPRI)

- commissioned annually by the Property Rights Alliance (PRA) starting 2007.
- MG Thinkers is the only Philippine-based think tank that partnered with PRA





IPRI Report, 3 areas of study

- Legal and political environment (LP):
Judicial independence, Rule of law, Political stability, and Control of corruption.
- Physical property rights (PPR):
Protection of physical property rights, Registering property, and Access to loans.
- Intellectual property rights (IPR):
Protection of IPR, Patent protection, and Copyright piracy.

IPRI 2009 Result (out of 115 countries surveyed)

Rank	Country	Score	Rank	Country	Score
1	Finland	8.7	17	Japan	7.6
2	Netherlands	8.5	19	Hong Kong	7.3
	Denmark	8.5	24	S. Korea	6.8
4	New Zealand	8.3	29	Taiwan	6.5
	Sweden	8.3	36	Malaysia	6.2
	Germany	8.3	46	India	5.6
	Norway	8.3	51	Thailand	5.4
8	Switzerland	8.2	68	China	4.7
	Australia	8.2	71	Sri Lanka	4.6
10	Austria	8.1	74	Philippines	4.5
	Iceland	8.1	77	Vietnam	4.4
	Singapore	8.1	87	Indonesia	4.1



8. Intellectual property rights and freedom

- Cheaper medicines law” (RA 9502) provides among others, the issuance of
- Compulsory Licensing (CL), special CL, and Government use. These are tools where the State can confiscate the private property -- an IPR like patent – issued by the State itself, to a new medicine, should national health emergencies and related conditions occur.



IPR and freedom

- One impact of this policy, along with drug price control, is that producers of innovative and revolutionary medicines will not bring their product to the Philippines.
- Freedom from debilitating and killer diseases will be sacrificed as a result of populist policies that penalize innovators and turn a blind eye to other factors that make medicine prices expensive, like government high and multiple taxes on medicines.

Intellectual property rights

COMMENTARY

BIENVENIDO
OPLAS, JR.

Downloading pirated songs from the Internet is cool. Dying from counterfeit medicine is not. But the pirates and the slack law enforcement that give you one also give you the other — and there are people who will tell you this is a good thing.

Many governments and humanitarian groups want you to believe that patents and intellectual property rights on medical innovations deprive the poor of important medicines and should be discarded in the name of public health.

But if one's innovation and invention that produces welfare to society, like producing medicines to cure malaria or cancer, using extracts from the leaves and fruits of the most common fruit tree in a particular country, is not respected, why would some guys innovate in the first place? It is protection of patents that brought those useful drugs into existence, along with millions of other products, wonderful and mundane alike. Yielding to the slogan "patients over patents" would hurt poor patients the most by depriving them of new inventions.

Say you are an unknown band, performing in bars. You write a few good original compositions and your audiences like them. Suddenly you find out your songs have been recorded and patented by someone else, on albums and CDs, with no mention of you and no royalties. How would you feel?

You are a researcher or academic. You presented a paper to a conference. A few months later, you see a paper published in some magazine or journal that contains most of your paper — your methodology, scientific model, data, results, and conclusions. How would you feel?

You are an ordinary inventor. You invented a device that can reduce fuel consumption in diesels

by 35% and you're selling it for a few bucks because you don't have a wide marketing network, or you don't have the capacity for mass production. Then, a few months later, your device is patented by someone who is selling it at a handsome price, with no mention of you. How would you feel?

The civil contracts of intellectual property, like deeds to physical property, underpin innovation, creativity and growth, as well as personal and political freedoms. Left-leaning health activists claim that breaking patents would hit multinationals and "Big Pharma" hardest — but these guys are innovators, they can find their way out like investing their money and people into something else, like new cosmetics and perfumes. It's the poor who will suffer most, from bad products, lack of new effective medicines, and economic stagnation.

And how do the consumers feel when they get these rip-offs? If you buy a pirated book or CD and it turns out to be of bad quality, you only lose your money. But if you buy pirated and bad quality medicine, you can lose your health — even your life.

This year Kenya found 20,000 counterfeit doses of anti-malarial Duo-cotecxin, one of many counterfeits in an uncontrolled market where some 35,000 people die of malaria each year. The fake, probably from China, does not just fail to cure the disease, it can increase drug resistance and make patients worse.

Governments around the world like to play the

hero by promising to reduce prices, usually by price controls or patent infringement but never by cutting taxes on goods or service. My older brother, our eldest in the family, died of prostate cancer more than a year ago. His earlier hormonal chemotherapy cost around P25,000 per session, excluding the physician's fee. Of that amount, government VAT collection alone was P3,000 per session. After several sessions, he did not get well. He was later given chemo that cost P90,000 per treatment, of which government's VAT was nearly P11,000 per session. The import tax, corporate income tax, business permit, and other related taxes not included yet.

If a government wants to bring down the price of medicines, rice, clothing, fertilizers, farm tractors, or any commodity essential to life and economic growth, the first thing would be to drastically cut, if not abolish, the import duties and direct taxes that hit the poor hardest.

So, the next time your government blames foreign companies or international rules for high prices, find out what taxes and covert barriers it is hiding from you — and shout the truth out loud.

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9. Concluding Notes

- It is not healthy for an economy to embrace left-leaning policies that attempt to disrespect individual talents and performance, and forcibly collectivize things. Property rights is not a result of positive accidents that allowed the rights owner/s to own and control something without hard or meaningful work. Neither is it a privilege that was bestowed by the Gods of the Earth to their current right owners. Leftism cannot guarantee the respect and expansion of private property rights.