

**Private Rights to Property**  
**by John W. Allen**  
**Private Property Rights and Social Harmony**

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self love, and never talk to them of our necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens.

Adam Smith, 1776 (See end note 1)

Manners have become more gentle . . . through the influence of the spirit of commerce and industry, those enemies of the violence and turmoil which cause wealth to flee . . .

Marquis de Condorcet, 1795 (See end note 2)

Perhaps the most overlooked and least understood feature of the institution of private property is its contribution to social harmony by fostering cooperation and consideration of the desires of others. Discussions of the free-market, private property system typically emphasize competition but say little about cooperation. This is not to say that competition is not important. Indeed, it is a central feature of the system, but emphasis on competition diverts attention from the cooperative aspect of the system. Here I seek to correct this bias by showing the link between private property and social harmony.

### **Voluntary Exchange**

In a world of scarcity the wealth-seeking behavior of people inevitably leads to social discord because all people cannot realize their wealth aspirations. Even with economic growth many will be frustrated and will see the greed of others as the source of their frustration. This view of the world leads to social divisiveness and the call for government to correct the distribution of wealth.

How can the institution of private property help? First, no economic institution will ever eliminate scarcity. This is a universal fact of life with which we must live and cope. Rules of the game, however, can ameliorate the problem of scarcity and moderate interpersonal conflict by inducing a spirit of cooperation. One such rule is the enforcement of a system of private-property rights wherein one may not gain wealth by taking wealth from another. Indeed, attempts to do so must be met with the protection of the law and the promise of swift and effective punishment of those who violate the law. With such activity outlawed, people will be encouraged to find other ways to increase their wealth. So constrained, their activities naturally will be channeled into productive and cooperative endeavors. A sure route to greater wealth is by seeking opportunities for mutual benefit and by appealing to the desires of others through exchange, producing something for which others will voluntarily exchange some of their wealth.

It is common to regard market transactions as a zero-sum game--the gain to the seller is completely offset by the loss to the buyer. This view holds that the seller's gain comes at the expense of the buyer. Of course, this cannot be the case, for no one would be a buyer only to be worse off after the purchase. A person simply would avoid such exchanges. Nevertheless, this view persists. It results from the misconception that the relationship between seller and buyer is competitive and adversarial. In fact, however, the market relationship is one of cooperation, not competition. If neither party is compelled to trade, if both enter a transaction voluntarily and of their own free will, then both must believe the other has something to offer that will enhance personal utility. Both expect to be better off after the trade than before. If either thinks otherwise, the exchange will not take place. Indeed, voluntary trade is a positive-sum game wherein both parties gain from the exchange. Imperfect information and fraud may create instances where one may regret an exchange, but this is the exception, not the rule. Moreover, we learn from our mistakes and avoid similar situations in the future. "You can't fool any of the people all of the time."

The relation between buyer and seller necessarily must be one of cooperation--you do that for me and I'll do this for you. The competitive relations take place not between sellers and buyers but among sellers, who compete to cooperate with buyers, and among buyers, who compete to cooperate with sellers.

### **Transferability and Consideration of Others**

The institution of private property fosters social harmony in yet another way. Recall our earlier discussion noting that the value of an item depends importantly on the nature of its property rights. An exchange is basically the transfer of a bundle of rights from one person to another and vice versa. We can convey only the rights that we have and no more; therefore, the institution of private property makes exchange possible. Without property rights no markets would develop because there would be no rights to exchange. People would not purchase an item unless they could expect to acquire the rights to control and use the item.

When property rights are well defined and enforced, there is a positive incentive for people to trade goods and services. An orderly market system and a system of exchange values will then develop to facilitate trading. Because all trades in a free-market, private-property system are voluntary, we are compelled to give due consideration to the desires and interests of others. This is because the market price communicates an item's value, that is, what others are willing to give up in exchange. Further, because of the opportunity to sell property rights freely, the worth to the present owner necessarily reflects the value that others place on the item and hence the price they are willing to pay the owner. Therefore, in a system of transferable property rights, people will retain or use an asset only if it is worth to them at least as much as it is to others. Otherwise, owners would enhance their wealth by selling the asset to others who value it more highly. Not only does the system compel people to respect and honor others' interests, but also it induces economic efficiency by directing resources to their most highly valued uses.

All of this happens not because of governmental direction but because of a system of private property rights wherein people are free to improve their well-being through voluntary exchange. While the process is complex, it is nevertheless a communication and control system that promotes peace and harmony. More often than not exchanges take place among strangers. They may live in different countries and speak different languages, but as long as people seek to enhance their welfare, they will seek opportunities to cooperate with others for mutually beneficial exchange. Indeed, cooperation deserves to share the spotlight with competition on the stage of the free market, private-property system.

### **Economic Growth Again**

Earlier we reviewed the connection between the institution of private property and economic prosperity. Here we extend the analysis to explain that continually increasing prosperity or economic growth is essential to long-term social harmony.

Commencing with the oil embargo in 1973 and nurtured by subsequent price control induced shortages and nearly a decade of record inflation, a small but vocal anti-growth movement argued that we had become preoccupied with material affluence and had squandered our environment and natural resources. Claiming that we had entered a new era of scarcity, their solutions were conservation, belt-tightening, reduced living standards and zero growth.

Is the goal of economic growth simply a euphemism for crass materialism and greed? To be sure, economic growth involves costs, but are the costs to zero growth zero? Economic growth allows people to improve their condition without doing so at another's expense. It prevents people from fighting over the division of a fixed pie.

The corollary of a zero-growth policy is a program to redistribute the economic pie--income and wealth--in the guise of equity and fairness. Therefore, zero growth means taking income and wealth from some and giving it to others. When such transfers are not voluntary, no matter how deserving the recipients may be, resentment and social discord is inevitable. To the extent redistribution reduces incentives to produce and diminishes the economic pie, the problem is aggravated.

Without economic growth political power looms even larger as a source of a bigger piece of the pie. The more powerful groups institutionalize their shares through legislation, and this comes at the expense of the less politically powerful. Government power grows, and increased emphasis is placed on how to divide the pie and less on how to enlarge it. Political power then displaces the marketplace as the distributor of national income and wealth, and social conflict intensifies.

It may be true that we shall live well only if we produce much, but we shall live harmoniously only if we continually produce more. Perhaps it was the pain of the 1980-82 recession that caused the demise and disappearance of the zero-growth movement.

Two centuries of increasing prosperity have made it possible for later generation Americans to opt for the contemplative life and to afford the concerns of safety, environmental quality, art and the higher things of life. We stand on the shoulders of our ancestors.