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A Letter from the Managing Editor

Peter C. Earle

It is an honor for me to be writing this introduction, and to have the privilege of addressing donors, contributors, and all supporters of the American Institute for Economic Research. My name is Peter C. Earle, more commonly Pete Earle, and I am a Research Fellow at AIER, having joined this historic institution three years ago. Many of you know me or have read my books and articles. For those who do not, I hope to make your acquaintance before long.

Although I jumped into this issue just as it was going to press, beginning with the Summer 2021 issue I will be the Managing Editor of the Harwood Economic Review. It is a duty which I am thrilled to assume, yet do not take lightly. The quality of the writing and research at AIER, and thus within the Harwood Economic Review, has never been better. There are no other free market research institutes in the world producing as much insightful economic commentary as this organization is. Without your valued support, we would be unable to.

The image on the cover of this month’s edition is one of the two “Hands of Harmony” sculptures which rise mysteriously from the beach of the port city of Pohang, South Korea. The two hands face one another, representing kinship, goodwill, and cooperation. One of the hands is usually immersed slightly in the surf, while the other stands on dry land, thus accentuating some intrinsic differences between the two despite overwhelming similarities.

This issue, dedicated to US-China topics, evokes precisely this sentiment. There can be little doubt that the United States and China are beginning to compete more closely all around the world, and collisions of interest are occurring more frequently. But the United States relies upon many products and services that China produces, even as the Chinese people simultaneously depend upon us. Perhaps some amount of sabre-rattling is to be expected, but the path to progressively higher standards of living depends upon commerce and the gains that are maximized through comparative advantage. Voluntary, cooperative trade among profit-seeking business managers, and not politicians, lobbyists, or trade unions, can and does yield a global whole greater than the sum of its constituent, national parts.

Normalcy is returning as this magazine goes to press. Lockdowns, compulsory masking, social distancing, school closures, event cancellations, and other such terrible fixtures of the Covid world seem, thankfully, to be in retreat. The last fifteen or sixteen months were a challenge to all of us, here in Great Barrington and elsewhere, but AIER’s unwavering focus upon individual liberty, limited government, free markets, and sound money served us—and the world—well. It would not have been possible without your extremely generous support.

If you have any questions or comments, please feel free to send me an email. With my regards and appreciation,

Peter C. Earle
Managing Editor, Harwood Economic Review
Judging by the speech Dwight Eisenhower gave when he turned over the presidency to John F. Kennedy in 1961, he learned something about power-seekers during his eight years in the Oval Office. He warned the American people of a looming disastrous rise of misplaced power...by the military-industrial complex. He foresaw that without a firm commitment to liberty and equality, money and power would become paramount, and American public policy would come to be dominated by a small group of scientific-technological elites.

The prospect of domination of the nation’s scholars by Federal employment, project allocations, and the power of money is ever present and is gravely to be regarded...In holding scientific research and discovery in respect, as we should, we must also be alert to the equal and opposite danger that public policy could itself become the captive of a scientific-technological elite.

Eisenhower understood that such an occurrence would imperil the mutual trust and respect upholding the American confederation of equals.

The weakest must come to the conference table with the same confidence as do we, protected as we are by our moral, economic, and military strength. That table, though scarred by many past frustrations, cannot be abandoned for the certain agony of the battlefield.

Eisenhower’s eloquence distills basic concepts that even a child can understand: allowing any one party, set of opinions, or narrative to dominate an entire society is a dangerous thing. It leads to an imbalance of power, which leads to exploitation and oppression. The only way to ensure a proper balance is to invite everyone to the table, and to let them speak with an equal voice. The only alternative is to allow policy to be decided by whoever holds the most power—and those people are rarely the good guys.

We’ve seen this unfold in the disastrous U.S. response to a new virus. Governments around the country have deployed measures without precedent, in ways that fundamentally contradict fundamental principles of American law and life. In short, the U.S. copied China.

On February 24, a World Health Organization investigative joint mission held a press conference in which it recommended that the world adopt lockdowns to manage Covid-19. China had formulated and tested a hypothesis, and the WHO rubber-stamped it. That hypothesis was this: Covid-19 disappeared in China because of the actions of the Chinese government. It could not have disappeared on its own due to pre-existing immunity, because there is none. Everyone is susceptible to this new virus.

So that you can see this is not an exaggeration, here are some quotes from the press conference. First, the WHO admits that lockdowns are new to science—they are a hypothesis.

So China didn’t approach this new virus with an old strategy for one disease or another disease. It developed its own approach to a new disease and extraordinarily has turned around this disease with strategies most of the world didn’t think would work.

Then, the joint mission describes the evidence supporting its conclusion that China’s actions, based on its stunningly correct hypothesis, turned around this disease.

So here’s the outbreak that happened in the whole country on the bottom. Here’s what the outbreak looked like outside of Hubei. Here are the areas of Hubei outside of Wuhan. And then the last one is Wuhan. And you can see this is a much flatter curve than the others. And that’s what happens when you have an aggressive action that changes the shape that you would expect from an infectious disease outbreak. This is extremely important for China, but it’s extremely important for the rest of the world...

There is neither effective drug nor vaccine for COVID-19 for the time being. However, the Chinese government and the Chinese people have used the non-pharmaceutical measures (or the social measures) including isolation, medical observation, social distancing, and personal protection and prevention. These measures effectively changed the course of the disease, as evidenced by the epidemic curves. I think this is one of the biggest achievements during China’s fight against the new coronavirus. In the report we have recommended this method to the international community.
Although this is a new virus so there is no baseline to go by, China and the WHO conclude that the observed outcome was definitely attributable to lockdown. It happened after, so it was caused by. Post hoc, ergo propter hoc—the logical fallacy at the top of Carl Sagan’s baloney detection kit. Perhaps in its rush to justify its draconian actions, China forgot about basic logic? Perhaps they did not consider that there could be an alternative explanation for the disease’s disappearance, such as pre-existing immunity? There are other coronaviruses in existence, so they certainly should have. And as it turns out, they did.

Since the coronavirus is a new pathogen, people of all ages do not have special immunity to it, and it can be inferred that all the populations are susceptible to this new coronavirus . . .

We now know just how false this conclusion was. One study in Singapore published in May found that 100% of people who were exposed to SARS in 2003, and 50% of people who were never exposed to SARS, have cross-reactive immunity to SARS-CoV-2. The authors specifically pointed out how important this information was for purposes of policy decisions. The study was ignored by mainstream media, and no lockdown governor has ever talked about it.

Sweden rejected the Chinese hypothesis and was rewarded with brutal media smears. It held firm to its approach, and far from experiencing the 96,000 deaths predicted by the models, Sweden has perfectly average mortality in 2020. Stockholm’s hospitals never overflowed, which collapses the whole purpose of lockdown—flatten the curve to save the hospitals—and singlehandedly disproves China’s hypothesis.

China and the WHO were wrong. There is significant population immunity to Covid-19, and that is why the disease dissipates without killing more people than an average flu season. It is not the first disease in history that needed a lockdown to abate. So why are our politicians still acting like that is true? Are they really this stupid?

Politicians have proved the truth of Orwell’s astute observation, No one ever seizes power with the intention of relinquishing it. They are currently hand-picking which industries will die and which will survive. Technology and media are doing well—Zoom is now valued the same as Boeing. The same entities selling lockdown are benefitting from it.

Abuse by government of public health emergencies is nothing new. In 1985, the American Association for the International Commission of Jurists (AAICJ) specifically recognized as much and convened to draft the Siracusa Principles to stem the illegal and unwarranted State[s] of Emergency . . . [governments use to] repress and deny the fundamental rights and freedoms of peoples.

Under the UN’s International Covenant on Civil and Political Rights, certain freedoms are guaranteed, including the pursuit of economic development, the right to a personal means of subsistence, the right to liberty, including freedom of movement, and the right not to be subjected to medical experimentation without consent (universal masks and new vaccines).

Under the Siracusa Principles, any infringement on these rights must be interpreted strictly and in favor of the rights at issue, in direct response to a pressing public or social need, pursue a legitimate aim, be proportionate to that aim, [and be] terminated in the shortest time required to bring an end to the public emergency.

A measure is not strictly required by the exigencies of the situation where ordinary measures would be adequate to deal with the threat to the life of the nation . . . The principle of strict necessity [requires that] each measure shall be directed to an actual, clear, present, or imminent danger and may not be imposed merely because of an apprehension of potential danger.

The state bears the burden of justifying each and every restriction it imposes on freedom, and under public health ethics, the most restrictive measure available is the mandatory isolation of sick patients. More stringent measures than this are impossible to justify with the examples of Sweden, Florida, South Dakota, and other lockdown-less places out there, handling Covid-19 just fine with commonsense measures of the past.

Our governments are ignoring public health ethics. They have hijacked science, imposed life-altering edicts based on bad theories, manipulated everyone with media and technology, and now tell us we can never return to normal. What is the endgame? It can’t be good. Eisenhower’s prediction of an imbalance of power has come to pass. Lockdown is the ultimate seizure of control. Let’s hope it can be reversed.
The West Is Responsible for Its Self-Destruction

Jordan Schachtel

As America and the West as a whole struggle to regain its economic and societal foothold through our self-inflicted, perpetual coronavirus crisis, China will round out 2020 with another impressive year of booming growth. China will end the year as the only major power that has seen economic growth in 2020. And Beijing forecasts an astounding 8.4% GDP boost in 2021.

What separates China from the rest of us is simple: China did not buy what it was selling. The Chinese Communist Party (CCP) put an end to their internal corona hysteria over 9 months ago, with a simple, sweeping notice. In March, they declared that the situation related to the novel coronavirus in Wuhan was over, along with pretty much the entirety of their epidemic countrywide. The problem had been solved, and that was that. Case closed. No further questions.

Did China at that point recognize that Covid-19 was not worthy of the hype? That much remains very unclear. What we do know, for a fact, is that China flipped the switch on their societal and economic machine back to 100% in March of 2020, and they never looked back. China has been open for business for almost a year, while the West remains at a snail’s pace on the economic productivity front.

China’s external message to the world was very different from their internal communications. Beijing told us, the West, that the coronavirus was a very serious threat, and we should model our response after theirs if we wanted to get the situation under control. For reasons unknown, the vast majority of the West accepted China’s premise and recommendations without hesitation. Throughout the West, we continue to implement these catastrophic, pseudoscientific policies, which are all variations of the infamous Wuhan lockdown. Masks, lockdowns, curfews and the like, the so-called new science on Covid-19, all have origin points in China.

Some China hawks in Western society seem to be under the impression that we can just blame China for all of the problems of 2020, because China was responsible for unleashing the coronavirus—which, as a reminder, infects people with a disease that has a 99.9% recovery rate—on the world. While that might be true, at some point, we need to take ownership of the present situation.

I understand the CCP’s role in manifesting Corona madness more than almost anyone, having been one of the few journalists who has reported extensively on this issue. Yes, China is to blame for allegedly allowing the virus to escape from their laboratories, but China is not to blame for our destructive, continuing response to the virus. But for a select few states, the American worker has been absolutely crushed under the weight of the boot of his own government. There are 30 million small businesses in the United States, and many of them are on their last legs, because of policies that have nothing to do with China, and everything to do with the politicians in this country that have revealed themselves as power-drunk aspiring tyrants.

The Chinese Communist Party is not responsible for Gavin Newsom, Andrew Cuomo, Mike Dewine, JB Pritzker, Muriel Bowser, Phil Murphy, and countless others on all levels of government imprisoning their own citizens in their homes on December 30th of 2020. Simply put, the expiration date for the China did this! rallying cry occurred many months ago.

China indeed planted the seed for global corona hysteria, and the CCP continues to agitate about the supposed dangers of Covid-19. However, it is long past time to look inward and take responsibility for the economic and societal catastrophe inflicted by our own representatives and public health experts in government, academia, and other elite groups in our society. Anthony Fauci and Deborah Birx have been responsible for far more damage to tens of millions of American livelihoods than a handful of shadowy propagandists in Beijing. It’s easy to blame the outsider for our problems. It’s much more difficult, honest, and productive to focus on what we can do to right our ship stateside.
China flourished in 2020 because they quashed the Corona madness at the beginning of the year and never looked back. The CCP is responsible for many troubling activities around the world, but they are not responsible for internal decisions made by Americans, supposedly for the benefit of Americans.

As 2020 comes to a close, it's time for us to do more than just shake our collective fists at China, while pretending our leaders share no blame in this self-inflicted catastrophe. It's time to hold American officials' feet to the fire, and demand that they are held responsible for continually, recklessly pursuing policies that have resulted in mass economic and societal ruin. China is not responsible for transforming the United States into a nation that more closely resembles Beijing as each day passes.

If we want to maintain our republic, and Western society as a whole, we need to remember the principles that we stand for, and reject the dictates coming down from maniacal politicians and bureaucrats who seek to slowly chip away at our individual liberties.
China Attempts to Silence Western Companies On Xinjiang

Ethan Yang

It’s been a long-established fact that China has been engaging in egregious human rights violations, particularly with the internment of what could be over a million Uyghur Muslims in the province of Xinjiang. AIE’s Richard Ebeling writes on the matter when he explains:

The Uyghurs, like the Tibetans, and other minority groups in China, have been the victims of Chinese political and ethnic imperialism. The Chinese government has attempted to assure the political unification and integration of, especially, Tibet and Xinjiang by a policy of ethnic and cultural “sterilization.” For decades, the Chinese authorities in Beijing have instigated Han Chinese population migrations to these two areas to “dilute” and reduce to a demographic minority the Uyghur and Tibetan peoples within their own lands.

The context surrounding the subjugation of Xinjiang is that it is home to terrorist activity, most likely because the province itself is a recent conquest made by the Chinese and not a longstanding member of the Chinese nation. In an attempt to quell political unrest, the Chinese Communist Party has built a vast and oppressive surveillance state in the region while interning as well as torturing what could be over a million Uyghurs, the main ethnic group in the region. This is easily one of the greatest modern atrocities committed by a modernized country. China has repeatedly denied poor treatment of the Uyghur people much like it denies wrongdoing on every other human rights abuse.

Breaking News

This week numerous headlines such as this one from NBC News report that a sudden and coordinated boycott effort against Western fashion brands has sprung up across China. Brands such as Burberry, Adidas, Nike, H&M, Calvin Klein, Tommy Hilfiger, New Balance, Zara, and many others were targeted by Chinese state-controlled media for their statements on Xinjiang, some made years ago.

The Hollywood Reporter notes that these attacks are in response to a coordinated condemnation of human rights abuses in Xinjiang issued by 27 nations such as the United States, Canada, and the European Union. They write:

The ruling Communist Party criticized H&M for saying in March 2020 it would stop buying cotton from the northwestern Chinese region. The Swedish retailer joined other brands in expressing concern about reports of forced labor there.

The CCP and its various state-sponsored groups have been issuing statements such as the following:

Spreading lies to boycott Xinjiang while wanting to make money in China? Wishful thinking, the Youth League said. . .

How can H&M eat Chinese rice and then smash China’s pot? state television said in a commentary Wednesday.

It shouldn’t be too difficult to assume that from forced detention and torture comes slave labor. According to the Business and Human Rights Center,

In March 2020, the Australian Strategic Policy Institute (ASPI) published a report Uyghurs for sale: ‘Re-education’, forced labour and surveillance beyond Xinjiang, which identified 83 foreign and Chinese companies as allegedly directly or indirectly benefiting from the use of Uyghur workers outside Xinjiang through potentially abusive labour transfer programs.

ASPI estimates at least 80,000 Uyghurs were transferred out of Xinjiang and assigned to factories in a range of supply chains including electronics, textiles, and automobiles under a central government policy known as ‘Xinjiang Aid’. The report identified 27 factories in nine Chinese provinces that are using Uyghur labour transferred from Xinjiang since 2017.

In particular, Xinjiang is one of the largest cotton exporters in the world and that cotton has been linked to slave labor by the US Government, which halted all imports in January of 2021.

This week Chinese state media has begun an aggressive campaign to mobilize its population to conduct what is essentially economic warfare against the West by boycotting its companies. CNN Style reports
For enterprises that touch the bottom line of our country, the response is very clear: don’t buy! China Central Television said on its social media account.

Many users also joined the calls for a boycott, urging local retailers to carry domestic stock instead.

The hashtag #ISupportXJCotton—created by the state-owned People’s Daily—generated more than 3 million ‘likes’ as of Friday on the Chinese social media platform Weibo.

They also report that Chinese celebrities have also begun a coordinated effort to drop their sponsorships with Western brands, likely ordered by the CCP, when they write

However, in a striking move this week, more than 30 Chinese celebrities have ended their promotional partnerships or said they would cut ties with brands they accused of “smearing” cotton produced in Xinjiang, including H&M, Nike, Adidas, Puma and Calvin Klein. . .

The scale of the celebrity exodus is unprecedented—so much so that on Chinese social media, March 25 has been dubbed “contract termination day” among China’s entertainment circles.”

NBC News notes that this week a lawmaker in Hong Kong attacked Burberry on Twitter with the following tweet:

I will stop buying or using Burberry products until Burberry has retracted or apologized for its unfounded allegations against Xinjiang.

These unfounded allegations of human rights abuses are not only consistent with Communist China’s long history of terror, with an estimated 45 million people killed in just four years during the Great Leap Forward, but such allegations have been leveled from countries worldwide.

In fact, the internment camps that China claims do not exist, but at the same time say are necessary to prevent terrorism, can be spotted from space with satellites. In a particularly jarring analysis, Buzzfeed News shared a photo of what seems to be a prison in Xinjiang that has been blanked out on Baidu Maps, a Chinese internet service provider.

What This All Means
AIER has published a three-part series detailing nuanced issues pertaining to China. In part one I outlined the sophisticated foreign policy tools that China employs against the West. This is a classic move in the Chinese toolbox which is to employ economic and cultural warfare to defend its authoritarian practices against human rights scrutiny. The CCP has near-total control over its population, which is how it has managed to not only keep its people silent on Xinjiang but weaponize them against the West and its human rights principles.

China knows that its massive consumer economy is crucial for market-based Western societies to access and it knows that a massive boycott will pressure the West in allowing it to continue its human rights abuses. A recent roundtable on China organized by the Hoover Institution noted that as recently as President Biden’s election, Chinese officials have been urging US companies to lobby the Biden administration to be softer on China if they wish to do business in China. This is the game that the Chinese play, using the West’s greatest power, freedom and markets, against itself by forcing companies to choose between profit and survival over the rights of people they may never be able to save. Now more than ever would be the time for the free world to find solidarity with itself and pursue greater strategic, economic, as well as cultural relations with one another in response to what is clearly an existential threat to the future of human liberty.
News outlets in the United States and in Europe have again been drawing attention to the oppression and persecution being suffered by the Uyghurs in the western region of China known as Xinjiang. Somewhere between one and two million of them have been rounded up and placed in reeducation camps by the Chinese government, with smuggled out stories telling of beatings, torture, organ-transplant harvesting, gang rape, and ideological indoctrination sessions, along with executions.

The Uyghurs are a combination of Muslim Turkic groups who number between 12 and 20 million. After at least two short lived attempts in the 1930s and 1940s to gain national independence from the Chinese governments that replaced the Manchu Dynasty after its fall in 1911, Xinjiang was once more politically joined to China following the coming to power of the Chinese communists under Mao Zedong in 1949.

The Uyghurs, like the Tibetans, and other minority groups in China, have been the victims of Chinese political and ethnic imperialism. The Chinese government has attempted to assure the political unification and integration of, especially, Tibet and Xinjiang by a policy of ethnic and cultural sterilization. For decades, the Chinese authorities in Beijing have instigated Han Chinese population migrations to these two areas to dilute and reduce to a demographic minority the Uyghur and Tibetan peoples within their own lands.

The Chinese government has attempted to persecute and eradicate the practice of Islam and Buddhism, respectively, among these peoples. The Chinese military has desecrated religious temples and places of worship, murdered and imprisoned religious leaders, forced women of both groups to marry Han Chinese to genetically cleanse Xinjiang and Tibet of their indigenous populations, and have restricted or prohibited the learning and speaking of the distinct local languages and practicing of cultural customs.

Though, of course, never said officially or publicly, the Chinese government’s policy, to guarantee political solidarity and unity throughout each and every corner of the territory of China is to make the country one racially single group, the Han Chinese. A similar fate would mostly likely face the people of Taiwan, if the Chinese government succeeds in imposing unification on what it considers to be a renegade island-province of the People’s Republic of China.

The government of Taiwan officially counts 95 percent of the island’s population to be ethnically Han Chinese, with a handful of indigenous minority groups. However, in a variety of public opinion polls over the last decade, anywhere from 40 to 60 percent of those participating in the surveys considered themselves as Taiwanese rather than Chinese. So even if the ethnic divide does not distinguish the mainland Chinese from the nearly 24 million people who live on the island, any forced integration following a Chinese government invasion of Taiwan would involve a cultural as well as ideological cleansing of subversive ideas, attitudes, and practices. A dress rehearsal is being witnessed in Hong Kong today.

While the Chinese government is currently being especially ruthless in imposing its rule over these areas under its political jurisdiction, it should not be forgotten that governments have always been jealous of ceding even one inch of any land under its control. Wars have been fought and rebellions have been put down over claims to territories said to be linked to the larger mother country due to history, race, language, culture, religion, or simple insistence that a piece of land, along with the people and resources upon it, is essential to that nation’s political survival, economic security and welfare, or national defense against external threats from surrounding governments.

When criticized for its domestic treatments of the Uyghurs or Tibetans, the Chinese authorities, like virtually every other government when similarly challenged for imposing itself on some portion of its population not wanting such generous and insisted upon paternalism, has declared that it is an uncalled-for foreign intervention into its internal affairs, which undermines that country’s right to national self-determination in deciding its own domestic affairs in its own way.

What is noticeable and important in all such references to self-determination and freedom from external intervention, is the meaning of national self-determination and one
government’s freedom from the interference of any other government in what and how it uses its political authority and force within the boundaries of its jurisdiction as demarcated on a map.

That is, it is the self-determination of a group or collective (usually defined by race, ethnicity, language, religion, culture or common history) that is referred and called for and defined as a nation. However, the meaning of a nation as a definable group of people has often been recognized as ambiguous and open to disagreement and debate. (See my article, The Meaning and the Mind of an American.)

It can be said that the modern notion and conception of a nation and national self-determination emerged out of the French Revolution. Prior to that, allegiance and loyalty was to the king who ruled over the state in which his subjects resided. But with the beheading of the French King, Louis XVI, in 1793, the new cry became that what bound people together was that joint membership within the nation-state in which they lived. This was joined with the democratic appeal that in the new nation, the people ruled themselves through those they appointed to political office.

Thus, through the theory and practice of democracy, it was now said, the nation was nothing but the expression of the freedom of the people to govern themselves without interference from others not part of the particular nation-state. Every people, it was argued, should be free to be self-governing, and not tied to a king or prince. They should be allowed to democratically make the choice to remain part of the nation-state in which they find themselves or break off and join some other nation-state to which they feel more kindred, or to form their own separate nation-state.

Since the monarchies, especially in the 19th century in central and eastern Europe were resistant to concede land and people over which they ruled, there were calls for wars of national liberation, some of which succeeded, but others that failed. In all of this there was one entity in these struggles whose autonomy and freedom to choose was most often submerged and lost in the fight for national self-determination: the individual and his right to liberty.

As the British historian, Alfred Cobban, expressed it concisely in his book on National Self-Determination (1945), as the 19th century progressed, The emphasis was more on the sovereignty of the nation than on the rights of individuals. One of the starting principles upon which the rationale for democratic self-rule was based was that rights resided in individuals, to their life, liberty, and honestly acquired property. The ultimate sovereign in society was the individual with his right to peacefully go about his own personal affairs without interference and molestation, and to voluntarily associate and interact with all other free and sovereign individuals on the basis of mutual agreement and consent.

The purpose of governments, existing or being formed, in this classical liberal idea and ideal of peace and freedom was the securing and protecting of each individual’s rights. Hence, liberal democracy was the institutional mechanism by which each of the “sovereign” persons within a country was free and safe from the aggressions of his neighbors or a neighboring nation by a political association for purposes of self-defense.

But even before the guillotine blade was dry of the blood from the severing of Louis XVI’s head from his royal body, the individual Frenchman, from whom all rights flowed, was told that in the name of defending the revolution to secure those rights he needed to be subservient to and maybe sacrificed for the freedom of the French nation as a whole. The nation as a collective distinct from and superior to the individual person was in whose name was made the case of sovereignty and national self-determination.

Political nationalism replaced philosophical and political individualism as the basis for overthrowing oppressive rulers, especially those of a foreign monarch or people. Italy was to be unified and freed from the Hapsburg occupiers.
The Greeks, Romanians, Bulgarians, and other distinct Balkan peoples were to be liberated from Turkish tyranny but squabbled with each other about where the boundary lines between them should be drawn. The Hungarians wanted to be free from the Austrian monarchy but did not want to give the same respect to other ethnic and linguistic peoples living on Hungarian territory. The Poles unsuccessfully rose up against their Russian rulers more than once but dreamed of a free Poland that would encroach on many other surrounding peoples.

Once established as sovereign nations, either before or after the First World War, each was jealous of its borders, often hungry for territorial expansion, and intolerant of ethnic and linguistic minorities within their respective nation-states. Especially were the governments of many of these newly formed nation-states suspicious and oppressive against those minorities.

Such minorities were forced to send their children to government schools in which the majority’s language was mandated as the form of written and spoken communication. Government business and commercial regulations and taxes were used to discriminate and penalize the minority groups.

Such minorities were pressured to leave, or in harsher situations expelled. Following a bloody and destructive war in 1919-1922 between the Greeks and the Turks over control of a large part of the Anatolian peninsula, 1.5 million Greeks were expelled from Turkey and 500,000 Turks were forced out of Greece, but only after. During the fighting, thousands of both Greeks and Turks were massacred as a form of revenge and ethnic cleansing.

After the cruelty, brutality and inhumanity of the Germans under the Nazi regime in World War II, with the murder of six million Jews, three million Poles, and many millions more of Russians and Ukrainians and other peoples across the continent, the governments of Eastern Europe took their revenge by brutalizing and expelling nearly 12 million Germans from countries where their ancestors had sometimes lived for centuries. (See my review of, A Terrible Revenge: The Ethnic Cleansing of the Eastern European Germans, 1944–1945.)

What was witnessed in the early 1990s in the former Yugoslavia, as each of the ethnic, religious, and linguistic groups assaulted and mass murdered each other in the pursuit of national self-determination as defined by territories claimed by each collective group, including the expelling of each other from conquered lands, has had many antecedents in modern history.
Ethnic, religious and linguistic minorities are viewed as threats to the unity of the nation-state as identified by demographic markers of the dominant group. The minority may want independence or want to break off and politically join a neighboring nation-state that increases its territorial size and economic strength vis-a-vis the country containing such restive minorities. And, finally, it weakens the unifying sense of identity and shared destiny of the majority group.

There are many ideas that Europe has exported to and shared with the rest of the world over the centuries, especially during its period of colonial control of many parts of Asia and Africa, and the Americas. Among them have been liberalism, nationalism and socialism. Liberalism’s legacy in some of these countries has been the ideal if not the actual practice of representative government, rule of law, and the idea of certain personal freedoms and civil liberties to be recognized and respected by the political authority.

But seemingly even more influential intellectual products imported from Europe by other parts of the world have been nationalism and socialism. China has adopted a blend of both. The Chinese communist leadership has successfully used both to establish and maintain its power. The 19th century wars that, particularly, Great Britain and France fought and won against the Imperial Chinese government, followed by defeats at the hands of the Japanese more than once, and the imposition of what was perceived as unequal treaties upon the Manchu monarchy that permitted foreign administered areas in port cities and the stationing of foreign military forces in the country, all created deep seats of resentment and feelings of humiliation among the growing educated segments of Chinese society in the 20th century.

At the same time, there has been little or no notion of Western-style individual liberty and limited government in the long stretch of Chinese history. And the few voices that captured glimmering of such ideas were few and without any noticeable influence. Instead, the country was burdened through the centuries with political absolutism, the weight of traditionalism, and an educational system based on blind memorization with little encouragement of creative and independent thought. (On a few past Chinese voices pointing in the direction of liberty, see my article, Tigers are Less Dangerous than Tax Collectors and Political Paternalists.)
Both the Nationalist (or Kuomintang) Party of Sun Yat-sen and Chiang Kai-shek before 1949 and the Communist Party under Mao Zedong and, now, Xi Jinping, have offered political ideologies based on national rebirths of the Chinese people, and a reclaiming of China’s rightful place among the nations of the world. Indeed, Xi Jinping dreams a dream of China once more the Middle Kingdom of political, economic, and military greatness that will again be the nation around which the rest of the world revolves. (See my article, Economic Armaments and China’s Global Ambitions.)

The other ideological ingredient in the Chinese mix has been socialism. Sun Yat-sen and Chiang Kai-shek in the 1920s and 1930s placed emphasis on the collective interests of the nation coming before the independence and freedom of the individual citizen, and looked to the socialist experiment in Soviet Russia as a model from which to learn in rebuilding the new China. The free enterprise lessons to be learned from the freer market environment of a place such as Shanghai, which was governed as a practically free city under the protection of especially the British, Americans and the French between the two World Wars, was instead viewed with envy and anger. (See my article, The History of Shanghai as a Tale of Successful Capitalism.)

Mao and the Chinese communists combined the new nationalism, particularly in the face of resistance to the Japanese invasion and occupation of a large part of the Chinese mainland between 1937 to 1945, with the promise of a thorough renewal of the country in the aftermath of war’s destruction through socialist ownership and central planning. That it was a huge human disaster as a result of compulsory collectivization, mass terror, forced labor camps, government created famines in the name of a Great Leap Forward for rapid industrialization, and then the societal cataclysm from ten years of the Cultural Revolution until Chairman Mao’s death in 1976, has all been swiped under the rug of history by Mao’s heirs. (See my reviews, of Laogai—The Chinese Gulag and Red in Tooth and Claw: Twenty-six Years in Chinese Communist Prisons and Hungry Ghosts: Mao’s Secret Famine and Mao: The Unknown Story.)

China’s national socialism—Socialism with Chinese Characteristics—has combined the worst of both collectivist ideologies with a vast and minutely intrusive surveillance system of ever-watchful Big Brother. And one in which, the all-powerful state, according to one recent international survey of people’s trust in their government recorded that among the Chinese polled, the communist regime is trusted by 82 percent of the population. A demonstration of the power of the closed society in which many if not most people only really know what the government wants them to know or in which the people asked were fearful of expressing any real doubts they may have about the regime they live under, or both.

But maintenance of such apparent unity in thought can only be assured, in the minds of the Communist Party leadership, when the nation is placed above the individual, when all are made subservient to the nation’s plan for making China great again, when all dissent and difference is purged from the national body. One leader, one Party, one Nation, one People.

That is why President Xi Jinping’s long-run central plan for China’s global hegemony to come—a true legacy for a farseeing Chinese emperor in all but name—can brook no multicultural diversity. Ethnic, linguistic and religious diversity is dissent from the common good and destiny of a chosen people. There is only one permissible national self-determination, and that is of a single Chinese people as a whole defined by one language, one ethnicity, one ideological and cultural identity, and one government-controlled and directed future.

The Uyghurs and Tibetans are alien and subversive bodies in the Chinese nation that must be absorbed or eliminated. Beginning with Mao and now with terrifying single-mindedness by Xi Jinping, the irradiation of these foreign elements are to be neutralized. This truly makes the Chinese political system an ideology of national socialism in the footsteps of others that have preceded it.
The Simple Logic of Free Markets and Retaliation

Donald J. Boudreaux

As I and other economists never tire of pointing out, the case for free trade at home does not depend on other governments allowing free trade abroad. Economic prospects of the home country rise whenever the home government adopts a policy of free trade regardless of the policies of other governments. As Paul Krugman—who’s no one’s idea of a libertarian—wrote in 1997,

_The economist’s case for free trade is essentially a unilateral case: a country serves its own interests by pursuing free trade regardless of what other countries may do. Or, as Frederic Bastiat put it, it makes no more sense to be protectionist because other countries have tariffs than it would to block up our harbors because other countries have rocky coasts._

Repetition of this truth is necessary because it seems never to sink in. So I here again try my hand at making the argument.

**The Kernel of Truth**

The kernel of truth in the case against unilateral free trade is that interventionist economic policies of foreign governments can cause negative economic consequences in the home country. For example, suppose Beijing adopts industrial policy which includes tariffs on American exports of machine tools. By reducing the number of buyers in China of American-made machine tools, American manufacturers are discouraged from enlarging the scale of their operations. It makes no sense under these circumstances to build factories as large and as ‘efficient’ as would be profitable were the number of buyers in China greater. Operating at smaller scales might, in turn, mean higher per-unit costs of production of machine tools and, hence, higher prices paid by American buyers of machine tools.

And so (the argument against unilateral free trade continues) because retaliatory imposition of our own tariffs can inflict on foreign countries the kinds of damage that interventionist policies abroad inflict on us, our use of tariffs might pressure foreign governments to abandon their economic interventions.

This conclusion is then drawn: For our government to adopt free trade unilaterally is for it to foolishly renounce a policy option that might be useful for pressuring foreign governments to stop harming us.

Precisely because international trade makes people in different countries economically dependent upon each other, trade does indeed transmit from country to country some of the ill consequences of bad policies pursued by different governments. And as a matter of logic, retaliatory tariffs imposed by the home government might then prompt foreign governments to lower their tariffs and, thus, improve economic performance both abroad and at home.

But government policy is carried out according to a logic quite different from that which guides individuals operating in private markets. Government intervention into economic affairs is almost always driven by economic ignorance mixed with interest-group pressures. It’s a mistake to think of any government as a logical leader pursuing in a well-informed manner maximum possible well-being for citizens.

Governments impose tariffs, dole out subsidies, and use other pieces of industrial policy in large part because these policies create significant benefits that are captured by a relatively small number of politically influential interest groups. But because the always-greater costs of these policies are spread out over the whole of the country’s population, these costs are unseen and unnoticed.

The indiscernibility of these costs is further assured by the fact that the interventions that create them are sold to the public—and swallowed by the public (and by many public intellectuals)—as ones that make the economy and populace richer. Widespread economic ignorance virtually guarantees that whatever economic discomforts ordinary people do experience are blamed, not on the interventions that cause them, but on markets that manifest these problems.

**The (Il)Logic of the Interaction**

The accompanying figure distills the logic of the governments of two countries interacting with each other over their respective economic policies.
On the north-south axis and in blue is the U.S.A. On the east-west axis and in red is China. Each of the four boxes contains two numbers, each one a measure of a country’s economic performance. (For simplicity, you can think of the numbers as monetary figures.) The blue number in each box’s northwest corner shows U.S. economic performance. The red number in each box’s southeast corner shows Chinese economic performance. The absolute value of these numbers is meaningless. What matters is the value of one number relative to any of the others.

In this simplified example, each government pursues one of two policies: free market or industrial policy. If each country’s market is free, economic performance in each country is 1,000. This outcome—the best one possible—is shown in the box in the upper left of the figure.

Now, however, suppose that Beijing pursues industrial policy. That policy will significantly worsen the performance of China’s economy. But because the U.S. and Chinese economies are somewhat integrated with each other through trade, the degree to which China’s economy suffers depends upon what happens in the U.S. If America sticks with free markets, some of the benefits of these free markets continue to be shared with the Chinese people. Beijing’s use of industrial policy will thus cause Chinese economic performance to fall ‘only’ from 1,000 to 500.

But if the U.S. government retaliates with its own industrial policy, the performance also of the U.S. economy will worsen. And this worsening of U.S. economic performance will further worsen the performance of China’s economy. Industrial policy pursued in both countries causes economic performance in each country to be 200, as shown in the box in the lower-right-hand corner.

When pundits and politicians in America insist that Beijing’s use of industrial policy creates the need for industrial policy in America, they see only the harm that Beijing’s policy inflicts on Americans. That is, they see only the reduction in American economic performance from 1,000 to 900 (as seen when moving from the northwest box to the northeast box).

But what American industrial-policy proponents don’t see is much more important. They don’t see that industrial policy pursued in China inflicts far more harm on the Chinese economy than on the U.S. economy. And their failure to see this reality blinds American industrial-policy advocates also to the reality that use of industrial policy by the U.S. will only further worsen American economic performance.

If the U.S. retaliates against Chinese industrial policy with American industrial policy, both countries end up in the box in the lower right-hand corner—for each, the worst possible outcome.

But won’t American industrial policy—by further worsening Chinese economic performance—pressure Beijing into abandoning industrial policy? Again, logically this possibility exists. Yet when the reasons for adopting industrial policy are revealed, the practical answer becomes ‘no.’

Beijing’s reason for adopting industrial policy is a mix of two notions. One is a sincere belief that this policy improves the performance of China’s economy; the second is the itch to bestow privileges on certain producers. And so although America’s retaliatory adoption of industrial policy will indeed further worsen China’s economy, there’s no cause to think that Chinese officials will come to understand that they would improve their economy by abandoning industrial policy. Even less is there cause to think that favored Chinese producer groups would lose their political influence. Beijing will stick with industrial policy.

The figure above shows what are in practice the relative values of free trade and industrial policy. Each country is indeed harmed by the other pursuing industrial policy. Nevertheless, the best course for each government—if it truly wishes to ensure maximum economic performance at home—is to keep its market free regardless of policies pursued abroad.
Do Allegations of Intellectual-Property Theft Justify Protective Tariffs?

Donald J. Boudreaux

During my recent debate at FreedomFest 2019 on trade, my opponent—Steve Moore—raised allegations of theft by the Chinese of Americans’ intellectual property as one of the justifications for President Trump’s existing high tariffs on roughly $250 billion worth of imports from China, and the president’s threatened tariffs on another $325 billion worth of imports.

I responded by expressing skepticism that the president and his team of dyed-in-the-wool protectionist advisors are really very concerned about intellectual-property theft. After all, the World Trade Organization’s procedure for settling intellectual-property disputes is mostly ignored by the Trump administration. The number of such complaints that the administration has so far brought to the WTO is a whopping one.

If the administration’s main concern were really to reduce such thievery, it would first bring these disputes to the WTO, rather than taking as its first step the indiscriminate imposition of punitive taxes on Americans’ purchases of Chinese-assembled goods. American consumers, after all, are not the IP thieves.

Calling the WTO feckless, Moore dismissed this suggestion as impractical. But he’s mistaken. China’s record of compliance with WTO rulings is not bad. Also, the impression that Steve conveyed of the Chinese being utterly cavalier in seizing whatever intellectual properties they fancy is simply mistaken.

Here’s what my Mercatus Center colleague Dan Griswold and I wrote in a recent paper on this topic:

In 2017, according to the US Department of Commerce, China paid $8.7 billion to US companies for the use of IP. That is more than a 10-fold increase from what Chinese companies paid in 2001, before China joined the WTO. China ranks fourth among nations in IP payments to the United States, behind only Ireland, Switzerland, and the United Kingdom. China’s IP payments to the rest of the world have also risen sharply. According to analysis by Nicholas Lardy of the Peterson Institute for International Economics, China’s payments of licensing fees and royalties for the use of foreign technology have soared in recent years, reaching almost $30 billion [in 2017], nearly a four-fold increase over the last decade.

The claim here is not that China’s record at honoring all of the rights to intellectual property that are established in other countries is pristine. Rather, the claim is that China’s record on this front, being nowhere nearly as bad as the Trump administration and its supporters portray it, doesn’t begin to justify Uncle Sam’s current fusillade of tariff fire.

Is (In-Kind) Taxation Theft?

There are other reasons to be wary of Pres. Trump’s invocation of Chinese IP theft as a justification for his tariffs.

One is that much of what is classified as Chinese IP theft is an in-kind tax imposed on non-Chinese companies seeking to do business in that country. To gain access to China’s vast internal market, Beijing sometimes requires foreign companies to divulge their IP secrets to the Chinese. Companies that choose to do so expect that the value to them of operating in China will prove to be worth more than the value of the IP that they are thereby required to divulge. In contrast, companies that refuse to divulge their IP secrets do not have their IP stolen or otherwise compromised.

This in-kind tax is indeed unfortunate—mostly for the Chinese people whose living standards it keeps lower than otherwise by discouraging some firms from setting up shop in China. But the IP divulged in response to this tax is no more stolen property than is the cash that these and other companies pay as tax revenues to Beijing (and, by the way, also to other governments, including Uncle Sam) for the privilege of being allowed to continue operating.

Yet I don’t doubt that China is home to some IP theft that is indeed genuine. Apart from bringing complaints first to the WTO, what should be Uncle Sam’s role in dealing with this theft? I think almost nothing.

What Gives Intellectual Property Value?

A good deal of such theft is not obviously damaging to the companies whose IP is stolen, which might be one reason why some companies are willing to divulge their IP as a price of doing business in China. Many creative ideas of the sort that receive patent protection from the U.S. government do not automatically turn themselves into valuable goods and services. A large and complex infrastructure—both private and public—is often required for the ideas protected by IP law to have value.
The information protected by a patent on, say, a complex piece of industrial machinery that is highly valuable to a U.S.-based firm with access to skilled and experienced labor to build, repair, and operate this machine—as well as to the tools that make these tasks economically viable—might be of very little value to any Chinese-based firm.

Additionally, knowledge of the mere mechanics of how to build such a machine does not guarantee access, at economically acceptable prices, to all of the raw materials and intermediate inputs that are required for the machine to produce valuable output.

More fundamentally, economic growth and prosperity require secure property rights and free and competitive markets. A country in which property rights are not protected and whose markets aren’t free and competitive can be the site of massive IP theft without its people ever growing prosperous—and without companies based in those countries ever becoming competitive threats to companies in freer economies.

**Private Actions First**

When the matter is explored carefully, little justification is found for Uncle Sam’s involvement at all. This reality is revealed by exploring a claim about Apple that Steve Moore made during our debate. Steve said that China is saturated with electronics stores falsely portraying themselves as Apple Stores. Any such trademark theft is indeed unwarranted and ought to be stopped. Yet no one has a more powerful incentive to combat this theft than does Apple.

Throughout China, in addition to making a great number of e-commerce sales, Apple operates more than 50 real Apple stores. In 2018, sales in China brought in for Apple $51.9 billion, which is 20 percent of Apple’s total revenues. Also, of course, a great deal of assembly of iPhones and other Apple products—products for sale both within and outside of China—takes place in China. I’m unable to find reliable figures for how much taxes Apple pays in China, but this company’s presence in China is most certainly valuable to the Chinese—as consumers, as workers, and as government officials.

The first step in stopping such theft should surely be Apple itself bringing suit within China, or otherwise seeking the cooperation of Chinese authorities. If this step fails, the next step should be U.S. government recourse to the WTO. Only if this second step fails should the discussion even begin about other possible actions by Uncle Sam.

And even then it is not at all clear that higher tariffs on American purchases of imports from China would be justified either economically or ethically. To trust the U.S. government to impose tariffs at home as it acts as an enforcer for private companies that choose to operate abroad is a recipe for cronyism costumed as ethical law enforcement. I cannot muster such trust.
During my first year of graduate school at UCLA in the mid-1980s, I was paired with a roommate from the People’s Republic of China. Being a welcoming host, I served as his tour guide around Westwood on his first night in America, taking him out for a pizza at Numero Uno and walking through the local shops. He was amazed at the wide variety of goods we had, including a Ronald Reagan punching bag in one of the novelty stores.

You can punch your president? he asked. Of course you can, I replied and followed up with a left jab to the nose of the inflatable Gipper. (This wasn’t a partisan political statement as much as it was a poke at the ruling class in general.)

A few weeks later, in return for my helping him get acclimated to the US, my Chinese roommate presented me with a gift. He was a bit embarrassed by it, because it was all he had to give considering that he was schooling on the cheap. Nonetheless, I was absolutely thrilled.

What was the gift? you ask.

A genuine, communist-made Mao jacket, olive green in color.

The gift happened to be a piece of clothing that my roommate had brought with him as part of his regular wardrobe (though he had not yet worn it). His clothes, in general, were pretty standard: white shirts and dark slacks. I asked if he really wanted to part with this and he replied, Oh yes. Everybody has these in China and nobody likes them. I appreciated his honesty. (Jocularity aside, giving someone the shirt off your back is actually a very noble gesture.)

I was elated by this gift considering that my young scholar’s sympathies ran a bit to the socialist left. My interest in the Central American revolutions at the time, a reason for my pursuing graduate studies, only made the thrill of having a revolutionary Mao jacket all the more special.

One of the first things I noticed, though, was that the jacket had several cigarette burns in the fabric. I asked him if he had worn it before while smoking and he told me that he never tried the jacket on and cigarette burns on recently-manufactured clothing are pretty common in China. How progressive, I thought. They even let their workers take smoking breaks while working! In California they make you step outside.

While the gift of the Mao jacket reinforced the importance of graciousness as a means of bridging cultural divides, there was yet a more important lesson to be learned about the limitations of command economies when it came to providing social welfare.

As noted, my Chinese roommate mentioned that everybody in the PRC wore these Mao tunics and other standard-issue clothing. If you view all the revolutionary portraiture of Communist China, particularly during the Cultural Revolution, everybody was depicted wearing Mao jackets. Elite members of the party were always dressed in this basic uniform and society followed suit. And although Deng Xiaoping’s liberalizing reforms in the 1980s prompted a tad more variety of clothing in the PRC, fashion choices were still quite limited. Glimpse at photos taken during the Tiananmen Square protests and you will quickly notice that everybody is dressed roughly the same, with a few brave souls wearing Adidas-branded sweatshirts (probably with fewer cigarette burns). This wasn’t a society wallowing in the wildly-varied costuming of Western hippies during the 1960s and ‘70s.
And it wasn’t only China. Recall pictures of people in the Soviet Union and Eastern Europe. The photos show individuals wearing roughly the same style and color of clothing, none of it particularly vibrant. Customers shopping at their department stores didn’t have to psychologically wrestle with choosing amongst a myriad of colors, patterns, and cuts of clothing. Drab was the fashion of communism.

What accounts for this unbearable drabness? Several possibilities suggest themselves.

First, the answer may be simple demand. Citizens of the PRC and Soviet Union chose these similar, monochromatic clothes because that is what they liked. It isn’t surprising to find individuals mimicking the styles of their peers.

Bankers tend to dress in the same business attire—navy suits, white shirts, red ties (or a white blouse and sensible shoes). Professors wear tweed. Skateboarders don baseball caps backwards and lace up Skechers (or whatever the cool sneaker is nowadays). And since socialist nations emphasize the importance of belonging to a greater community, it shouldn’t be surprising that they would want to look alike.

Perhaps. However, Soviet citizens craved blue jeans from Western visitors. The protesters of Tiananmen Square showed an incipient desire for varied (often Western-style) clothing, and definitely not Mao jackets. My graduate roommate couldn’t wait to shop the stores of Los Angeles and diversify his wardrobe. Today, in Seattle, our visiting students from China rush to the malls to snap up any and all varieties of attire. The most diverse and wildly-fashioned clothing can be found on PRC undergraduates.

A second reason for the uniform clothing of China and the Soviet Union in the past might be political. In order to sow allegiance to the revolutionary vanguard and collective consciousness, it is important that the citizens’ clothing be sewn similarly. Call it fashion fascism, if you will. Hitler and Mussolini tried to get their populations dressed in uniform uniforms. And Kim Jong Un mandated that all North Koreans get certain styles of haircuts. What better way to show love for the national leaders than to look like them?!

There may be something to the political explanation, though economics points us to an even better account of what happens in an authoritarian fashion world: command economies cannot figure out what people really want. Bureaucrats allocating resources (including clothing) can’t easily determine what other people want. As such, everybody ends up getting what a small cadre thinks they need.

Command economies is simple. Clothing is clothing. Its purpose is to keep you sheltered from the elements. Once it accomplishes that task, no more thought needs to be put into the process. Efficiency achieved! Any effort to diversify the look of clothing is merely wasted effort that could go to meeting other important needs of the collective. Or so the calculating logic of authoritarian functionalism goes.

But it turns out that people actually have diverse preferences and tastes once their most basic needs are met. Command economies can’t figure this out because they don’t use markets and the price mechanism to foster experimentation and innovation.

Humans are the most creative species on the planet. Manatees don’t even come close to creating the great literature and gadgets we’ve dreamed up. We are constantly trying new ways to do things and to meet our pluralistic desires. But our innovation is either enhanced or limited by the economic system we inhabit.
In a free market system, profits and prices help incentivize entrepreneurs to explore new possibilities and guide them to provide what people really desire (even if those people might not know it at the moment). Profit and prices are the fuel of imagination in markets.

In command economies, you get what you get and you hope that it fits.

Imagine an artist who has a wild idea to create sweatshirts with pictures of cats shooting laser beams out of their eyes. Might anybody want that? If it was put to a central committee with the power to dictate how resources are used, a few people might get to vote and decide. If some committee members don’t like cats, those sweatshirts will not be produced for the public irrespective of whether people want cat shirts.

However, in a market economy, that artist can make a few items and offer them for sale at a price he feels is worth their effort in making them. If those sweatshirts don’t sell at that price, the world is telling you that they don’t want that product. But, on the other hand, if those sweatshirts fly off the shelves at the offered price, consumers are telling you that this was a great idea and you should produce more (and possibly raise the price to reward yourself for such stunning creativity). In a market economy, all consumers get to vote and decide.

Granted, there might be some inefficiency in this market system. Ideas that were thought to be great at the moment might make their way into bargain bins selling below the price of production or eventually be tossed into landfills. That might be wasteful, but it is only temporary waste that gets corrected quickly by self-interested individuals who don’t want to lose money. In a command economy, you can only take what is offered; the consumer has no say in what gets produced. Mistakes get deeply embroidered into society with little hope of correction.

Despite some temporary misallocation of resources in market economies, incentivized experimentation allows us to find new ways of pleasing people and making our lives better off. And, yes, laser cat sweatshirts might actually make the world a better place (at least for some folks); we know this because consumers vote with their dollars.

Over time, China slowly has opened itself to more market allocation based on prices and profits. Laser cat sweatshirts are seen in the streets of Beijing. Mao tunics are not as popular. Fortunately though, and thanks to markets, for those of you who long for the retro look, there are businesses today that produce Mao jackets with fancy dragon embroidery, perfect for all your Upper East Side socialist cocktail parties.

As for my Chinese roommate, he was so inspired by his time in a more liberalized nation, seeing what prices and profits can do, that he went on to join the American-based marchers supporting the Tiananmen protesters. The last time I heard from him was shortly after the crackdown of the protests in China. He had a pizza from Numero Uno delivered to my apartment with a note thanking me for introducing him to the freedom that America offered. The pizza had a variety of my favorite toppings.
US-China relations have an incredibly complicated history that dates back many years to when the United States first interacted with imperial China. There have been some periods of mutual benefit and trade. There have also been numerous armed conflicts such as the Boxer Rebellion in response to the United States and other colonial powers occupying parts of China. The United States supported the nationalist Kuomintang during the Chinese Civil War, which was the opposing faction to the Chinese Communist Party, which is currently in power. More recently there was the Korean War where Chinese forces intervened to assist North Korean forces in pushing back the US-South Korean coalition to the current day border. There have since been countless back and forth instances of aggression and cooperation on both sides. However, China very much sees itself as humiliated by the West and intends to return the favor by crafting its own global hegemony.

With the Biden administration now in power and China now squarely in the bipartisan crosshairs, we have a new opportunity to appropriately address the growing threat of China. It goes without saying that the Chinese Communist Party is an existential threat to human liberty not only in China but worldwide. Whether it be locking up millions of Muslims in concentration camps in the Chinese province of Xinjiang, support for authoritarianism on the African continent, or espionage campaigns right here on US soil, China is a worthy adversary to confront. Let us not also forget that China suppressed information regarding the outbreak of Covid-19 in Wuhan, subsequently sending the entire world into lockdown.

At the same time, China is also our top economic partner and comprises 14.7 percent of our total goods trade. Chinese innovation and industrial progress have contributed enormously to not only our well-being but the entire world’s. Chinese immigrants and Chinese-Americans have contributed tremendously to building the United States physically as well as culturally. Although these benefits do not even come close to balancing the issues, it is possible, if not necessary, to preserve them while still confronting China. The problem is not the Chinese people but the Chinese Communist Party.

It would be foolish to suggest that China’s authoritarian goals do not pose a threat to US interests and the general welfare of the world. It would also be ignorant to suggest that there is absolutely nothing to gain from working with the Chinese or that doing so is not important. Finally, it would be a recipe for failure to embrace a strategy that does not exercise restraint and nuance.

**Power Projection and Diplomacy**

This topic is the most existential of all issues so it would be good to address this first. Should we even recognize China as a legitimate polity? Why don’t we just roll the tanks right now and institute a liberal democracy? On the other side of the argument, why don’t we just accept China with open arms and give them the keys to the world? Both of these approaches would prove utterly disastrous, one leading to nuclear war and the other jeopardizing the fate of human liberty. A good book to read on this topic would be Micheal Pillsbury’s *The Hundred-Year Marathon*. The book is on the hawkish side but it provides a detailed account of Chinese foreign policy goals. In particular, China plays the long game and employs a diverse array of economic, military, as well as institutional assets in ingenious ways to gain leverage in its international power struggle.

China is willing to wait decades for the fruits of their labor, whether it be the One Belt One Road Initiative that seeks to create an unprecedented international trading realm with China in the middle or the slow reintegration of Hong Kong which the British returned in 1997. Over the course of 20 years, the Chinese Communist Party slowly eroded the liberties of Hong Kong so as not to promote international backlash. China desperately wants to conquer Taiwan. In order to prevent what will likely be a full-scale US military incursion, China has instead periodically moved military assets around Taiwan to test the willingness of the US to intervene. It has also conducted a long campaign of economic integration with Taiwan as well as interfered in Taiwan’s elections in order to sway support for politicians that support further integration with China. All of this is happening while the Chinese military slowly expands and modernizes to the point that it can take on the US military.
Chinese military assets have become a growing problem in Asia. In the 1950s, the People’s Liberation Army annexed both Tibet and Xinjiang. Both regions now live under brutal repression. The Chinese were also quite strategic with their use of force, claiming that both regions are part of the historical Chinese nation dating back thousands of years. The South China Sea is a contemporary example where at least six countries lay some sort of claim to the region but the Chinese are keen on advancing their claims further.

To do so it employs a mix of military might, economic integration, international law, and at times building physical islands that it can then lay claim to. The South China Sea is not just a sentimental piece of ocean. Over $3 trillion worth of international trade passed through the region in 2016 along with 40% of the global natural gas trade in 2017, according to the Council on Foreign Relations. The Chinese do not and will likely not honor a commitment to free trade and private property if it gains control of the region, especially if doing so will further its broader goals of protecting as well as expanding its authoritarian model.

This is just the tip of the iceberg on what China is doing to undermine key US foreign policy goals that threaten everything from trade routes, to our longstanding allies, to the idea of liberal democracy worldwide.

**What Principles Should Guide Our Response?**

China plays smart and we should too. A military war would be a disaster and both sides know that. A trade war with tariffs and blacklists has not only proved to be ineffective but has cost American citizens billions. It also goes without saying that the trade war likely slowed the progress of innovation and competition on both sides, which the entire world loses from. A topic for another day.
A competent and effective strategy would be to understand China’s tactics and play the game. In fact, it is better to be proactive rather than reactive. Respond with diplomacy, economic integration, and global cooperation. Such a response will avoid bloodshed while still pushing back. It will also allow us to reap the fruits of trade and cooperation. The current trade war with China has been a disaster for everyone involved. Not only that but the United States has more to lose in this situation, since its average nominal per capita income is over six times higher. It also has a system that values individual freedom. Expanding trade with China will not only have tremendous economic benefits but will also create further interdependency that will allow the US to have more leverage. The US economy is also far more dynamic and flexible than the Chinese economy, which is weighed down by excessive regulation as well as increasing political control, which could be a sign of anxiety regarding the stability of the Chinese Communist Party. Promoting trade and economic interaction not just with China but with the rest of the world will work in the United States’ favor more than it will for the Chinese.

Finally, the United States should not fight this battle alone. China has an ever-increasing list of skeptics, whether it be our long-time allies such as South Korea, Japan, Taiwan, and Australia or more recent acquaintances such as India and Vietnam. Forwarding collaboration and integration with the ever-growing list of angry countries will ensure that the effort of promoting some semblance of a rules-based international order is not a lone crusade. The combined military and economic assets of all these countries would be a far more formidable and legitimate force than just the US military. This also makes it less about promoting the sole interests of the United States and more about coexistence in the Pacific region led by those immediately involved, not some superpower across the ocean. However, this is not an argument to assemble an Asian version of NATO to further antagonize the Chinese. Everyone has an interest in working with China where they can and pushing back where they can’t. It is possible to use this to everyone’s advantage.

Key Takeaways
The primary objective when it comes to foreign policy should be to lower the temperature set by the Trump administration while still letting China know that there are boundaries and the world is watching. Soft power projection and economic cooperation are essentially the name of the game at this moment. However, a trade war on paper and now in practice has proven to be a disaster. Understanding the role that economic integration plays in the Chinese strategy is crucial and the US should not be an idle bystander. In fact, it is likely if not apparent that the US has more to lose in embracing economic isolationism and more to gain in pursuing closer economic ties with countries across the world. In particular, those would include China’s immediate neighbors as well as China itself. More and more countries are growing tired of China’s antics. Failing to engage both economically and strategically with these potential allies as well as with China would be a crucial piece left on the table. Diplomacy, economic engagement, and the reserved use of military force are the core principles that define disciplined interstate relations. Throwing them out in favor of romanticized visions of conflict and glory would be playing checkers while China is playing chess.
PART TWO

I wrote part one of *A Nuanced Approach to China* in the hopes that with the coming of a new presidential administration we can start to think rationally about dealing with what is a tricky adversary. Tricky because it is clear that China is an existential threat to human liberty worldwide but also a great contributor to global well-being. It embodies not only the cruel machinery of authoritarianism but also the power of over a billion hard-working and innovative people. This brings us to another important topic when it comes to dealing with China, economic engagement. Should the US pursue trade and investment ties or should we continue the Trump administration’s crusade to wage economic warfare? The answer of course requires a deeper understanding of the problems at hand, rather than a binary view of China as a great evil or a benign victim of Western aggression.

**The Context Behind Chinese Economic Growth**

In 1978 China began pursuing limited market reforms that brought it out of the depths of the disaster that Maoism brought upon the country, to what it has become today. It went from a country of failing communal projects to a country that boasts gleaming skyscrapers, Michelin star restaurants, and the world’s second-largest economy. Of course, the country is still quite poor compared to true market economies such as its neighbors Taiwan, South Korea, and Japan, but it is clear that limited market reforms have done well for the country. CSIS writes

*Using the $1.90 per day extreme poverty line, the global poverty rate has declined significantly since 1990, when it stood at 36.2 percent of the global population (1.9 billion people), to about 8.7 percent (roughly 668.7 million people) in 2018. China was responsible for just over 60 percent of this decrease. Decades of rapid economic growth in China helped to lift 748.5 million people out of extreme poverty, dropping the country’s poverty rate from 66.3 percent to just 0.3 percent.*

This brings us to the problem with economic prosperity in China. Using Michael Pillsbury’s book *The Hundred Year Marathon* as a general insight, the Chinese Communist Party has essentially channeled the productive forces of prosperity into supporting the growth of its authoritarian regime. This is of course how all governments work, taking advantage of innovation and growth to support their own powers, but
the Chinese government is plainly a clear and present danger to human liberty. With a larger economy, the CCP has drastically overhauled its military, which poses a direct threat to US allies and interests in the Asia-Pacific. It has drastically expanded its security state, not only oppressing its citizens at home but actively exporting authoritarianism abroad. It engages in industrial policy where the Chinese government’s omnipresent hand in the private sector makes companies both a productive entity as well as a tool of the CCP to wield against its enemies. Finally, there is a safety concern that affects US consumers here at home when it comes to not only political risk associated with investing in Chinese products but also espionage and other subversive activities. These are all serious problems but as the title of this article suggests, we need a nuanced approach that recognizes these threats and also understands what the best responses are.

The Trade War
The last presidential administration kicked off a highly disruptive trade war against China with a long list of reasons, some of them good, many of them poor. It can be argued that China was deserving of economic sanctions and penalties because of their unfair economic practices that are not congruent with a free market economy. They also have a horrendous human rights record and seek to channel their economic growth to further expand their authoritarian goals. Using economic warfare rather than military escalation would be a preferable way of dealing with these issues, if it actually worked. Of course, some of the other reasons were blatantly protectionist and counterproductive. These included false narratives of China stealing American jobs and attempting to artificially shift America’s trade deficit. Another goal that has some merits but also plenty of shortcomings is the idea of attempting to stunt Chinese economic growth, which is a sentiment many China hawks share. Although these are all compelling problems we must realize that the current trade war has been counterproductive and more economic integration, not less, would produce better results.

Right off the bat we need to understand the true damage of the trade war because there is certainly a romanticized image of sticking it to the CCP. In reality we have hurt ourselves with little noticeable benefit. AIER has published a summary of the damage this crusade has brought upon not only Chinese citizens but Americans as well. Some key points include

The 2018 tariffs directly clawed back a quarter or more of the savings American households and firms realized from the 2017 cuts in individual and corporate tax rates.

U.S. importers passed a large portion of the new tax burden they directly faced onto consumers.

While protectionists claim that tariffs are necessary to shield important domestic industries from competition, data from the steel and aluminum industries provide no evidence that these sectors have realized any gains.

Furthermore, the Brookings Institution writes,

A September 2019 study by Moody’s Analytics found that the trade war had already cost the U.S. economy nearly 300,000 jobs and an estimated 0.3% of real GDP. Other studies put the cost to U.S. GDP at about 0.7%. A 2019 report from Bloomberg Economics estimated that the trade war would cost the U.S. economy $316 billion by the end of 2020, while more recent research from the Federal Reserve Bank of New York and Columbia University found that U.S. companies lost at least $1.7 trillion in the price of their stocks as a result of U.S. tariffs imposed on imports from China.
At the moment, it does not seem that China has shown any sign of relenting despite the costs on our end. The worst part is that the United States has more to lose in this trade war, being the richer and freer country. We are essentially throwing away some of our prosperity and our freedom to wage a trade war that has not only failed to show results but leaves the two countries involved and the whole world poorer.

Of course we must always be cautious of China’s increasing government control of its private sector, as Don Boudreaux explains here. Trade with China definitely leaves us open to potential economic manipulation and spyware but that can be mitigated by diversifying our trading partners. Furthermore, it would be in the best interest of the Chinese not to provoke one of their top trading partners. John Tamny explains why allowing greater economic engagement would lead to a greater vested interest in respecting their trade partners here. Ending the trade war and pursuing a reasonable level of economic integration, considering the potential risks, will not only lead to greater mutual prosperity but also global well-being.

Lastly, the United States and other world powers have already maintained incredibly strict sanctions on countries like North Korea which have not achieved their goals of pushing for denuclearization. Although it is possible that China as a richer country is more sensitive to such measures, we must employ them strategically and carefully, which includes being realistic about what such policies will accomplish.

**Leveraging Shared Mutual Prosperity**

Unless we have a realistic expectation of waging military war with China, which would likely see devastation on an unprecedented scale, it would be best to play the long game. That is attempting to forge a cautious relationship where we understand the issues at stake but also acknowledge the marginal costs of provocation. A more interdependent trade relationship with China will not only bring mutual economic benefit, it will also give the US more leverage in negotiations that really matter. Starting feuds over soybeans and steel like the Trump administration did is a clear example of not only going against our own free market values but also firing our bullets at trivial targets. It is a counterproductive and impossible goal to try to artificially bring back jobs via tariffs, but it’s also not a
justifiable penalty. If we aim to economically punish China it should be because they are guilty of serious misconduct and even then we should ask ourselves if the policy at hand will lead to anything productive.

Furthermore, the Chinese authoritarian model is nowhere near as flexible as the liberal model in the US. Our economy can shift and adapt on its own to fit changing circumstances, whereas the Chinese economy is weighed down by excessive bureaucracy. Just look at how it reacted when Chinese billionaire Jack Ma simply critiqued its financial regulatory apparatus. Competition brought about by further economic integration with China will likely lead to more cracks in the system as Chinese business leaders and consumers start to ask questions.

China has always been an authoritarian country. Being open to the world and its influences is a touchy subject that dates back hundreds of years to the Ming Dynasty. Such isolationist tendencies are due to concerns regarding foreign influences, and it is unknown how well the current government can manage it. The United States is a melting pot as the old analogy goes. It is unlikely global trade and cooperation will significantly derail our society; in fact we flourish from it. The same cannot be said about China, at least for the long-term rule of the Chinese Communist Party. This is but another reason why economic engagement may play out in our favor.

When it comes to our economic approach to China it should be clear that we are all better off pursuing a strategy of trade and cooperation. Chinese economic prosperity does directly contribute to its authoritarian goals, but trade wars and isolation have not done anything to remedy the situation. Rather a strategy of economic integration will likely lead to not only mutually beneficial outcomes, but also greater leverage in the future if the need to take action arises.
PART THREE

Moving on from strategic foreign policy discussed in Part 1 and trade relations in Part 2 this article will seek to focus on investments and business relations with China. In particular, it will be touching on two highly complicated subjects, intellectual property theft and financial investing. As laid out in Part 1 and Part 2, China is an existential threat to liberty and seeks to displace the United States as a global leader. However, it has not done anything to warrant brash retaliation and often operates in the grey zone of what is permissible. It also understands that its economic contributions to the world are unavoidable and it would be foolish not to engage with them. However, much as they believe they can leverage economic influence to their advantage, there are a number of ways the US can do the same. Think of China like a coworker who wants your management position but hasn’t done anything that can be seen as worthy of true retaliation. You know they’re up to no good but at the same time they contribute to the company and they haven’t done anything that can truly justify harsh vengeance. In order to defend your position in management, you must also play smart and utilize nuance. Much like there is a way to live with the competitive coworker in a manner that not only protects yourself but maximizes the well-being of the company, there is a way to intelligently navigate our tense relationship with China.

Finance and Investing

Political risk is something all investors should be aware of when investing in China as with all authoritarian regimes. One day the business you bought stock in could be growing rapidly and then all of a sudden the CEO says something critical of the Chinese Communist Party and they disappear. Then the stock of the company plummets and the Shanghai Stock Exchange cancels the IPO of a related company, costing investors billions. This is the case of Alibaba and Jack Ma, and it is emblematic of the political risk of investing in China in general. To make things worse, the US government moves to blacklist a number of Chinese firms in retaliation over trade disputes, leading to the creation of a potential blacklist of American firms by the Chinese. Then on top of that, the US House of Representatives unanimously approves a bill to delist all Chinese companies from US stock exchanges if China doesn’t comply with auditing standards.

And this was only the last two months of 2020.

When it comes to investing in China, private investors should first and foremost understand that their investments are subject to serious political disruption by the actions
of the Chinese Communist Party, which has unprecedented control over the economy. There are also risks when it comes to the aforementioned auditing standards, and US investors encountering fraud in China is a serious recurring theme. However, the US government should attempt to make it easier to safely do business with China, not more difficult. The Motley Fool writes,

If you’re looking for growth, you can’t avoid China. In fact, according to Matthews Asia, China accounted for 41% of global growth in 2019, and is forecast to account for as much as the U.S. and Europe combined over the next several years. This growing pie might offer companies room for revenue expansion, especially as China moves away from a focus on “quantity” of growth and toward “quality” of growth.

China has many promising stocks and companies to invest in that can not only make US financial investors money but make the world a better place. Companies like Alibaba have brought the wonders of e-commerce to Asia and electric car companies like Nio and BYD show promise to make transportation cleaner. Allowing access to such investment opportunities will not only allow US investors to profit but it will also make the world a more prosperous place. This is of course after recognizing the political and strategic risks that come from engaging with such companies. However, if such companies are not a true threat to national security, consumers should otherwise be left to make voluntary decisions on whether to patronize such enterprises.

What is not productive are unilateral and harsh policies such as suddenly delisting companies from stock exchanges and further exacerbating trade disputes by blacklisting Chinese companies. Not only has this been counterproductive from a strategic standpoint, only prompting retaliation, but it also harms US consumers. Of course, that isn’t to say that any and all bad behavior should be tolerated. To address such issues, it would be best to lay out a clear and accommodating framework of penalties that creates expectations for the Chinese and predictability for investors.

A lighter hand that creates uniformity for investors and lays out mutually beneficial incentives for the Chinese to improve their business integrity standards would be a more sustainable option. It would be in the Chinese government’s best interest to have a relatively safe environment that attracts foreign investment. Further engagement, not isolation would likely lead to such outcomes.

**Intellectual Property**

Intellectual property theft is a practice the Chinese have been engaging in for many years, stealing industrial secrets and even more problematic: military secrets. The National Law Review writes,

Chinese theft of US military secrets has gone directly into creating advanced weaponry, many of which is directly tailored to combatting the US military. These are all incredibly serious topics. However, as the theme of this article suggests, brute retaliation (economic or militarily) does not seem to be a promising remedy.

Furthermore, much like many things associated with China, the damage is likely over exaggerated to garner political support. According to the Mercatus Center, it was alleged by the Trump administration in 2018 that Chinese IP theft is somewhere in the trillions of dollars worth of damage. However,

The US International Trade Commission (USITC), in a more cautious assessment in 2011, estimates that US firms suffered $48 billion in lost revenue in 2009 from IP theft in China... The report determined that three-quarters of the $48 billion in losses were caused by lost sales and one-quarter were caused by lost royalty and license payments and other unspecified losses. While the loss is nontrivial in absolute value, it amounts to less than 1 percent of the total sales of US IP-intensive firms doing business in China.

Although it is certainly an issue that such practices are occurring, this does not justify a retaliation such as the Trump administration’s trade war which in itself cost Americans billions without any significant benefit.
If one wishes to retaliate against China for IP theft, it should be proportional to its actual record, which is likely far better than it is made out to be. According to a policy analysis by the Cato Institute, China’s compliance with IP law is actually quite decent and any complaints should simply be taken through the World Trade Organization rather than the use of unilateral trade sanctions.

Furthermore, Don Boudreaux notes that private companies can do more to protect their intellectual property by not only reinforcing themselves but also working with the Chinese government to stamp out theft. It would be in the best interest of the Chinese to create a lucrative business environment that is friendly to American investment. This of course would only likely be widely successful when it comes to petty IP theft such as fake brand stores, and not state-sponsored industrial espionage which should be brought to the attention of the WTO.

When it comes to IP theft it is also important to note that the mere existence of the term can yield a contentious debate. According to Jeffrey Tucker,

*Keep in mind that, unlike real private property, IP is necessarily created, defined, and enforced by legislation—by statute. For that reason, it is necessarily territorially restricted based on state jurisdiction.*

Although it would be nice if the Chinese stopped trying to conduct industrial espionage, it is difficult to measure the true damage such practices have done given that the idea of IP is a nebulous concept. What’s the difference between Chinese companies attempting to copy American companies and other American companies trying to copy each other? What is worth being patented and what is simply an idea that should be public, like the idea of touch screen technology, but is simply restricted because of slick legal advocacy? Furthermore, this is also assuming that the Chinese companies will do just as good as a job with the IP as the actual company that came up with the idea. Even if the Chinese company can produce a successful product, oftentimes such competition either domestic or foreign simply leads to productive benefits for society as a whole. This is of course drawing a distinction between the Chinese taking IP that is generally not worthy of protection and only protected because of arbitrary laws and stealing ideas that are truly worthy of being patented. This debate not only applies to China but to companies operating within the US as well.

**Key Takeaways**

When it comes to China, we have a lot to gain and much to lose. When it comes to investing and doing business this dynamic is especially important to understand. For one it is important to know how beneficial not only to ourselves but to the world a productive business relationship with China is. There are political risks when it comes to investing in China but it is crucial that in our quest to mitigate those risks we don’t further aggravate the situation with rash unilateral sanctions. When it comes to protecting our intellectual property and ensuring good business practices, it is important that we are guided by reality and not a fantasized version drummed up by politicians for political gain. Harsh retaliation is neither productive or justifiable but standing idle is not a solution either. Our response to China must be measured, nuanced, and intelligent, as such an approach is the only way we will ever succeed.
Why You Should Include Charity In Your Will

Andrew Palmer

There is a common misconception that only the rich need to make a will. That is not true. A will eases the pain of your passing on those you leave behind, and without a will, regardless of your personal wishes, state laws will determine the transfer of your estate.

There is an even bigger misconception that only the super-rich leave money to charity when they die. That’s also not true. The fact is that most gifts by will, (bequests) are made by everyday people who want to have a lasting, positive impact on their community.

Without this type of generosity, many charitable institutions couldn’t continue their missions into the future. Non-profits need our support to do their good work.

Here are four reasons why you should include a charity in your will:

A Gift By Will Is Easy To Make
A bequest is one of the easiest charitable gifts to make. It is simple to implement, and easy to change should you ever need to. You can give specific property or designate a dollar amount or a percentage of your estate. You can also designate a non-profit as a beneficiary of your retirement plan or life insurance policy.

A Gift By Will Does Not Alter Your Current Lifestyle
Making a bequest is a way of demonstrating your commitment to the future of the institution you love that doesn’t affect your current asset balance or cash flow. There are no substantial costs, and the gift can easily be modified to address your changing needs.

A Gift By Will Can Change Lives
Non-profits improve our lives every day through their dedicated work, community, and stability. A bequest can help your best-loved charity further its mission and values. It can continue making a difference for generations to come.

A Gift By Will Creates A Lasting Legacy
Including a non-profit in your will is a great way to bring dignity, meaning, and purpose to a life well-lived. You can demonstrate your commitment to the future of the institution you love, and better yet, a bequest can allow you to give to an institution that you may have always wanted to support, but were unable to during your lifetime. Creating a legacy with your gift ensures that you, and your values, will live on.

You don’t have to be wealthy to make a difference. Whoever you are, whatever your situation, you can help make a better world by including a charity in your will.

SEE PAGE 35 TO GIVE TO AIER
Join the American Institute for Economic Research in Great Barrington, Massachusetts for a special dinner on August 14, 2021 with the Honorable Judy Shelton.

Judy Shelton is a Senior Fellow at the Independent Institute. Former Chairman of the National Endowment for Democracy and former U.S. Director of the European Bank for Reconstruction and Development, she has testified before the U.S. Senate Banking Committee, Senate Foreign Relations, House Banking, House Foreign Affairs, and the Joint Economic Committee. She was nominated to the Federal Reserve Board of Governors by former President Donald Trump.

This evening also marks the 50th anniversary of Richard Nixon’s fateful decision to terminate the Bretton Woods gold-exchange standard. AIER’s Sound Money Project fellows will be on hand to present their new book The Gold Standard: Retrospect and Prospect.
Planned Giving

Each one of us already has a default estate plan—one dictated to us by the government. The government doesn’t know who we are; it cares nothing for our achievements, our principles and beliefs, our ethics, or our commitment to our families. In this plan, hard-earned assets can be unnecessarily taxed and heirs can be left with little or nothing.

The only way to make sure that your estate plan reflects your wishes is to design it yourself with competent counsel. Will your legacy be subsumed by faceless bureaucrats as a windfall profit for government programs that you may believe are antithetical to prosperity and justice? Or will it be a responsible transfer of values held dear by the one who earned the money? Make sure that you are the author of your own personal estate plan.

By making a planned gift to AIER—whether it be through your will, charitable trust, or another giving vehicle—you are making an incredible commitment to true freedom, sound money, and private governance. You not only secure your legacy as a champion of free markets, but you ensure that AIER will continue to fight for the principles you hold dear for generations to come.

We are forever grateful for AIER’s planned giving supporters who help to ensure that people around the world will always have access to sound economic research, robust education in free market concepts, and practical training from AIER.

Here are some ideas on how to include AIER in your estate plans:

Your Will
If you already have a will, you can generally amend it to create a bequest for AIER and other charities. If you have elected a living trust rather than a will, you can also include AIER and other charities as trust beneficiaries, similar to creating bequests under a will.

Your Retirement Accounts
Retirement accounts—such as an IRA, 401(k), and others—that are left to heirs are double-taxed because (often but not always) they are subject to the estate tax and heirs are also subject to ordinary income tax on what’s left. Retirement accounts left to a non-profit like AIER are not taxed at all.

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One of the easiest ways to leave AIER in your estate plans is to simply name AIER as a beneficiary of a life insurance plan. Life insurance proceeds, other than when given to a spouse or to a tax-exempt entity like AIER, are generally subject to the estate tax. Therefore, life insurance policies that are no longer needed for financial security are a good choice for enhancing your philanthropic legacy.

Other Giving Vehicles
Several less common giving vehicles are typically used in complex estates, but might be worth consideration. We recommend you speak with your attorney or financial advisor regarding: Charitable Gift Annuities, Charitable Remainder Trusts, and Charitable Lead Trusts.

To get started please contact us at 888-528-1216
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I followed Colonel Harwood for many years and one thing that came through in all of his writing was that he was a great patriot and a strong believer in an honest currency. Having been in the investment business for 48 years, I think Colonel Harwood’s teaching is needed even more now than it has ever been. He had a great impact on my thinking.

—Arnold Van Den Berg, Longtime AIER Donor

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