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Combating Violent Extremism & Authoritarianism

Through Ideas of Free Trade & Economy

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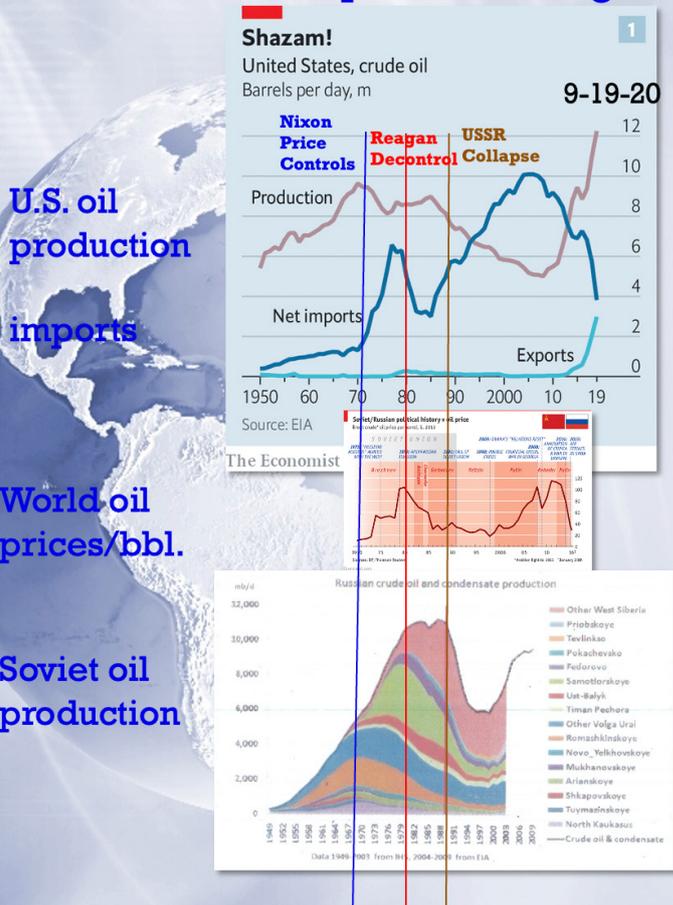


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Combating Violent Extremism & Authoritarianism Through Ideas of Free Trade & Economy

Interventionist economic policies in a relatively free country can have a profound effect on the strength of authoritarian rulers in other countries. One example is that of America's #1 Cold War anti-communist, Richard Nixon, doing more to strengthen the Soviet Union than any other person in the West. Really? Richard Nixon helping the Soviet Union? Here's how.

How Nixon Helped and Reagan Hurt the Evil Empire



U.S. helps then hurts Soviet Rulers:

1971 Nixon imposed domestic oil price controls for 10 years.

U.S. domestic oil even taxed to subsidize price of imported oil.

Import oil demand and Soviet oil revenue soared.

1980 Int'l oil price \$120/bbl

1981 Reagan lifted domestic oil price controls & subsidies

U.S. imports of oil fell.

1986 Int'l oil price \$24/bbl. Soviet revenue fell.

1989 Soviet economy and Iron Curtain collapsed.



Bolstering Soviet Communism—Nixon, Ford, Carter

In 1971 President Richard Nixon faced the uncomfortable consequence of financing two continuing wars, the War in Vietnam and the War on Poverty, by printing money rather than by raising unpopular taxes. As this led to rising inflation, Nixon imposed nationwide wage and price controls that immediately led to widespread shortages and supply disruptions.¹ Recoiling from this disaster, he lifted price controls on everything... except domestic oil production.

As domestic oil supplies were crippled by these controls, consumer demand shifted dramatically to the international oil market, resulting in rising prices for oil from the Soviet Union.² This was supremely important to the Soviet economy, with oil accounting for 40% of foreign exchange earnings.³ These price controls remained in place through the decade under presidents Gerald Ford and Jimmy Carter and served as the primary source of economic strength of the Soviet Union in the 1970's.

1- "Remembering Nixon's Wage and Price Controls," Gene Healy, D.C. Examiner and The CATO Journal, August 16, 2011. <https://www.cato.org/commentary/remembering-nixons-wage-price-controls>

2- "Nixon, Price Controls, and the Gold Standard," The Commanding Heights, Daniel Yergin and Joseph Stanislaw, 1997 ed., pp. 60-64, https://www.pbs.org/wgbh/commandingheights/shared/mini-text/ess_nixongold.html

3- This also strengthened the hand of OPEC nations, which enabled them to coalesce for their embargo during the Arab/Israeli War in 1973. In addition to the price controls, a tax was placed on domestic U.S. oil at refineries to subsidize the differential with international oil, thus further depressing the demand for domestic production and increasing demand for international oil. This reflected the greater political influence of relatively few large international oil players over the thousands of smaller, independent domestic producers.

Crippling Soviet Communism, Boosting Chinese & Latin Authoritarianism—Reagan

One of the first acts of the newly elected President Ronald Reagan in 1981 was to end the domestic price controls on U.S. oil.⁴ This spurred domestic oil production which was no longer taxed at refineries to subsidize international oil import prices. Thus the demand and prices for international oil plummeted and the Soviet Union weakened and eventually collapsed.

Some have argued that President Reagan diminished the USSR by pursuing a military arms race that the Soviet's couldn't match. The real reason the Soviets couldn't keep up the spending race was the loss of oil revenue. This wholly undermined their economy.



With the ruination of the Soviet economy and its support of a fragile bloc of Eastern European satellite nations, the oppressed populace of these nations finally ignored the border guards and began flooding across checkpoints. The shattered credibility of East European leaders left their authority crumbling. One great lesson in combatting authoritarianism: Undermine authoritarians by allowing the victims of tyranny to escape.⁵



4- "President Abolishes Last Price Controls on U.S.-Produced Oil," New York Times, January 29, 1981 <https://timesmachine.nytimes.com/timesmachine/1981/01/29/243621.html?pageNumber=1>

5- This was the opposite of the treatment of Hitler and the German Nazi regime in World War II. The Atlantic Allies bolstered the Axis Powers by erecting stringent migration quotas that prevented millions of refugees to escape. Thus, refugees were massacred by the millions in concentration camps instead of allowing them to become a part of the bulwark against tyranny. "U.S. Immigration Policy and Hitler's Holocaust," Teach Democracy, Spring 1994, <https://teachdemocracy.org/bill-of-rights-in-action/bria-10-2-a-united-states-immigration-policy-and-hitler-s-holocaust>

Yes, President Reagan was an ardent foe of Soviet communism, but his economic and military interventions did much to bolster communism elsewhere in the world. For instance, Reagan provided an abundance of U.S. military weaponry to the Peoples Republic of China, the largest communist country in the world.

In opposition to the wishes of all US allies in the Western Pacific⁶ (ASEAN, South Korea, Japan, and Taiwan) Reagan asserted that the sale of \$500 million of advanced weaponry to China “would strengthen the security of the United States and promote world peace.” Such was the game of balancing Soviet power.

Simultaneously, his protectionist trade measures bolstered support of communism in much of the Third World. While the Soviet Union was paying up to 60 cents a pound for Cuban sugar, President Reagan, the so-called “champion of free markets,” drastically cut the quota on sugar imports that were selling at 10 cents a pound or less on the world market. Thus, the U.S. was deemed hypocritical in advocating free markets in Latin America while failing to practice free markets when this might impact U.S. farmers who were guaranteed 20 cents a pound. Since the Soviets were offering much better prices, communism seemed to offer a more beneficial partnership.

Patricia Browne, wife of a sugar executive in Belize, wrote an open letter to Nancy Reagan, pleading for Mrs. Reagan to intervene with her husband on behalf of sugar plantation workers impacted by his drastic cut in sugar import quotas. The shutdown of sugar imports cost the jobs of millions of workers across Central America, the Caribbean, and the Philippines.⁷

I witnessed this dislocation in the Philippines, where millions of farm workers abandoned the sugar fields of Ilocos Norte to migrate in desperation. In addition to the civil strife at home, Mrs. Browne argued that the dispossessed farm workers would likely turn to growing marijuana or migrating to the U.S. for work.



6 - ARMING THE DRAGON: HOW MUCH U.S. MILITARY AID TO CHINA by Martin L. Lasater, Heritage Foundation, March 14, 1986, <https://www.heritage.org/asia/report/arming-the-dragon-how-much-us-military-aid-china>

7- “Cross Purposes: U.S. Sugar Quotas Impede U.S. Policies Toward Latin America,” Krauss, Clifford, Wall Street Journal, September 26, 1986, Pages 1 & 17.

Crippling Latin Farmers with Foreign Aid

The official U.S. response to agricultural poverty, civil strife, drug trafficking, and migration in Central America and the Caribbean was to send economic and military aid that made conditions worse. Economic aid was the Food for Peace Program, unloading vast surpluses of rice, soybeans, corn, wheat, cotton, and other products bought from U.S. farmers and dumped abroad. The damaging impact of this aid was reported by Juliana Geran of The Heritage Foundation in “How American Food Aid Keeps the Third World Hungry,”:

Yet ironically, and tragically, Food for Peace, formally known as P.L 480, has been one of the most harmful programs of aid to Third World countries. While sometimes alleviating hunger in the short run, the program usually lowers the price at which Third World farmers can sell their crops. This depresses local food production, making it harder for poor countries to feed themselves in the long run. Food for Peace, in fact, is mainly an aid program for U.S. farmers, allowing them to dump their surplus crops in Third World countries, while the U.S. taxpayer foots the bill, and the poor in less developed countries bear the ultimate high cost. Food for Peace, despite its grand title, hinders agricultural development in such countries and makes a mockery of American humanitarian rhetoric.⁸ To imagine how this was greeted by the farmers in poor countries, think how U.S. farmers would respond if the Canadian government bought up millions of tons of Canadian wheat to give away for free to U.S. consumers? U.S. farmers would be outraged by the undermining of their revenues! That is the impact it had by devastating market prices abroad in order to prop up U.S. farm prices.⁹

The second form of aid would be military weaponry to bolster sympathetic anti-communist regimes in Central America. For instance, despite the horrific human rights record of the regime in El Salvador, Reagan poured a weapons arsenal into that nation to fight communist sympathizers while simultaneously arming China. What began as a fight against communism has been transformed into a much more deadly villain in the region: drug gangs. According to journalist Ioan Grillo, author of *El Narco: Inside Mexico's Criminal Insurgency*, the decades-long U.S. drug war in Central America has fostered corruption and murder while enriching drug lords by as much as \$300 billion per year...and getting worse despite trillions of dollars in taxes spent to fight trafficking.



8-“How American Food Aid Keeps the Third World Hungry,” Juliana Geran, Director for Legal and Judicial Studies, The Heritage Foundation, August 1, 1988. <https://www.heritage.org/trade/report/how-american-food-aid-keeps-the-third-world-hungry>

9 -The “economic aid” is money that never leaves the U.S. because it is required to purchase food from U.S. farmers and is shipped on Jones Act (U.S. built, owned, crewed, and flagged) ships. All the while, this “aid” undermines the markets for the farmers abroad at great cost to U.S. consumers and taxpayers paying higher food costs in the U.S.

American Losers and Winners—Bush, Clinton, Bush, Obama, Trump, Biden

Who are the winners and losers? Among the losers are American consumers who pay up to \$4 billion per year just in higher sugar prices. That amounts to roughly \$826,000 per sugar job gained. And for each job gained in the sugar industry, 3 jobs are lost to the food industry because higher sugar costs drive them to curtail production, close shop, or move out of the country.¹⁰

Higher food prices are largely a transfer of wealth from low-income consumers across the nation to a concentration of very high-income farmers in U.S. agriculture. Winners from protective sugar quotas are the U.S. cane and sugar beet farmers who benefit in proportion to their share of the market. As much as 42% of the subsidy goes to the largest 1% of the sugar farmers. People like the Fanjul Brothers, Bloomberg estimating their family fortune at \$8 billion, have received roughly \$64 million in annual protection benefits. To facilitate this, the brothers contribute generously to both Republican and Democratic political campaigns.¹¹

In addition to politicians who serve the sugar barons, other winners are the multitude of government agencies that are engorged with a growing budget and staff to implement these policies: U.S. Dept. of Agriculture, U.S. State Dept. Agency for International Development (AID), U.S. Dept. of Defense, U.S. Drug Enforcement Administration, U.S. Immigration and Customs Enforcement, etc. All of these agents are paid by hefty levies on taxpayers.

Kingspins—with impunity



(% Gross Farm Revenue)	
EUROPEAN UNION	(19.0%)
UNITED STATES	(12.1%)
JAPAN	(41.3%)

Trade barriers & trade subsidies
= Theft from farmers abroad

Losers: Banned trade cost poor nation's farmers 3 times more than the value of all foreign "aid" ...

Losers: ...foreign "aid" was often U.S. crops (i.e. rice, corn, & cotton) dumped abroad that ruined distant farmers.

Losers: migrate to survive

Winners: \$700 billion/yr to U.S., European, Japanese farmers & shippers

Winners: \$300 billion/yr to corrupt, repressive regimes & criminal drug lords by prohibition—Joan Grillo






H. George
F. Bastiat

10- "Candy Coated Cartel: Time to Kill the Sugar Program," Grabow, Colin, Policy Analysis, April 10, 2018, Number 837, CATO Institute <https://www.cato.org/sites/cato.org/files/pubs/pdf/pa-837.pdf>

11- "A Sweet Deal," Steve Kroft, 60 Minutes, CBS, May 28, 1995 <https://www.imdb.com/title/tt2620402/>

This is just the impact of sugar in the U.S. The broader impact of all agricultural subsidies and protectionism across the developed world, including Europe and Japan, amount to \$700 billion annually.¹² The International Monetary Fund estimated that opening agricultural trade with the developing world would bring two times more wealth every year than all overseas development assistance combined.¹³ The benefits to consumers in rich countries are even more than benefits to farmers in poor nations.

Opening trade and ending subsidies would enrich both rich and poor nations—but at the expense of entrenched farm lobbies and their dependent political and bureaucratic allies. Open trade would also allow poor farmers great opportunities for wealth where they live so they wouldn't be pressured to migrate.

Corporate Protectionist Welfare—Traitors to Their Own Nations

Rhetoric surrounding migration of poor people to rich countries is filled with a condemnation of a welfare magnet. It is said that the poor are migrating to get the generous welfare of rich nations. But this is upside down from reality. It is the corporate protectionist welfare in rich countries that contributes to the poverty and migration of poor countries. And it is the politicians, not the migrants, who established the welfare system for their political constituencies.

Worse yet, corporate and political welfare queens are traitors to their own nations. The 19th Century economist Henry George wisely asserted, “What protection teaches us, is to do to ourselves in time of peace what enemies seek to do to us in time of war.” Yes, a wartime blockade or trade sanctions against enemy nations have the same effect that trade barriers have on one's own nation in peacetime.

When nations go to war, the first act of war is to impose crippling economic blockades. During the U.S. Civil War, the Northern states blockaded the shipping of Southern states. In both World Wars, Great Britain and Germany attacked each other's ships to cut off trade and strangle their economies. When Russia attacked Ukraine, the U.S. and Europe implemented trade sanctions to punish Russia by cutting it off from world markets.

That is the same effect that protectionists have on their own nations during time of peace: cutting off trade from the outside world. The corporate protectionist players behave like enemies to their own countries in order to benefit themselves at great expense to consumers, taxpayers, and economic providers abroad. This reminiscent of another 19th Century economist, Frederic Bastiat, who said, “When goods don't cross borders, soldiers will.”

Migration barriers: race, religion, labor "protectionism"

1. Fugitive Slave Act of 1850
2. Chinese Exclusion Act of 1882
3. National Origins Act of 1924

100% Prior to 1924, 98% of immigrant applications approved for entry.

Today less than 3%

Basis of prohibitions:

- Race
- Contract labor
- Polygamists
- Religion
- Infirm
- Uneducated
- Rebels
- Head tariff
- Paid passage
- Children
- National quotas

3. Nazi camps & 1938 Council at Evian

Guard inside border Guard outside border

Regardless of the side, the effect is the same.

12- “Agricultural subsidies: Everyone’s doing it,” Alice Calder, Hinrich Foundation, October 15, 2020, <https://www.hinrichfoundation.com/research/article/trade-distortion-and-protectionism/agricultural-subsidies/>

13-“Global Trade Liberalization and the Developing Countries,” IMF, November 2001 <https://www.imf.org/external/np/exr/ib/2001/110801.htm>

Collateral Damage—Migrants

When the American colonies separated from England, the attitude was very open to newcomers. One of the foremost complaints against King George III in the Declaration of Independence was his opposition to migration: “He has endeavoured to prevent the population of these States; for that purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their migrations hither...”

Race and religious bigotry were historically at the root of the first U.S. migration barriers. The earliest was the Fugitive Slave Act of 1850 that prevented runaway black slaves from fleeing to Northern states. Most Northerners believed that these runaway slaves would compete against white labor. Similar racial fears of competition with white labor inspired the Chinese Exclusion of 1882 which banned Asian immigrants from working on transcontinental railroads. Soon other restrictions mounted against migrants based on fears of religion, health, literacy, language, and national origin.

Prior to the National Origins Act of 1924, 98% of all immigrant applications were accepted, but afterward the acceptance rate was generally less than 3%.¹⁴ This strict quota system was imitated by other nations around the Atlantic and was especially damning when millions of refugees tried to flee the authoritarian regimes of Hitler, Mussolini, and Stalin in the 1930’s and 1940’s...left to die by the millions in concentration camps. It doesn’t matter on which side of the border the guard stands, either keeping people in or keeping people out, the effect and responsibility is the same.

This remains a great tragedy. The Cold War demonstrated how allowing people to move undermines the power of tyrants and strengthens free nations both economically and militarily. Denying refugees only sacrifices economic and military strength at home and bolsters tyrants abroad.



14- “America’s Third Founding: May 24, 1924, the Immigration Act of 1924,” Bier, David, CATaact-1924

Governments often perceive newcomers as a problem. Markets, when left free to choose, recognize newcomers as an opportunity. Markets hire migrants at all skill levels because they see diligent, talented workers who are preferred in the labor force and are twice as likely as native-born Americans to be successful entrepreneurs.

“Why do foreigners make better entrepreneurs?” Adrian Furnham asserts, “The sort of people who migrate have a different pattern of motivation, abilities, & adjustment. They are hungrier, more risk taking, more hardy.”¹⁵ The Economist magazine reports, “Study after study finds a positive association between immigration and long-run economic growth—and therefore, ultimately, the living standards of all Americans.” [2-13-20]

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Why Legal Immigration Is Nearly Impossible
U.S. Legal Immigration Rules Explained
BY DAVID J. BIER

IMMIGRATION & BORDER SECURITY
DAVID BIER
Cato Institute
Immigration Studies Association Director
C-SPAN2

To markets, people are opportunity. Permits for tourism, business, study: 66 million/yr

To government central planners, people are a problem. Permits to live & work: 3 million/yr

Number of immigrants to the United States by stage, 2018

Stage	Number
Want to immigrate	158M
Began process	32M
Permitted to enter legally	0.9M**
Workers	0.2M*
Families	0.7M
Refugees	0.02M

For family of U.S. citizens coming from Mexico: 76 years to process a visa for unmarried adult child

Permitted to enter legally: 0.9M**

What to do with \$20 billion? A big & ineffective wall, or a big and efficient gate?

Most people are willing to break the speed limit law to save a few minutes on the highway... especially if a life is at stake.

Study: 9 in 10 drivers admit to speeding even though a third say it's unacceptable

DRIVERS ARE AWARE OF THE COSTS AND RISKS OF SPEEDING, BUT DO IT ANYWAY

By Susan Meyer
Updated July 5, 2023

Saving Time and Lives

While legal migrants may be valued for their importance to economic growth, the complaint is mostly against illegal immigration—people avoiding the queue for proper, documented entry to the U.S. Does it matter that legal immigration by the queue is almost impossible?

David Bier, Director of Immigration Studies at the CATO Institute, has examined U.S. immigration rules and found that while a queue exists, it is tantamount to a complete barrier. For instance, it would take an average of 76 years to process a visa for an unmarried adult child of a family of U.S. citizens. People expect to die before a visa from Mexico could be obtained.¹⁶ In this case, a queue is really a prohibition.

15- “Why do Foreigners Make Better Entrepreneurs?” Furnham, Adrian, Psychology Today, September 28, 2013

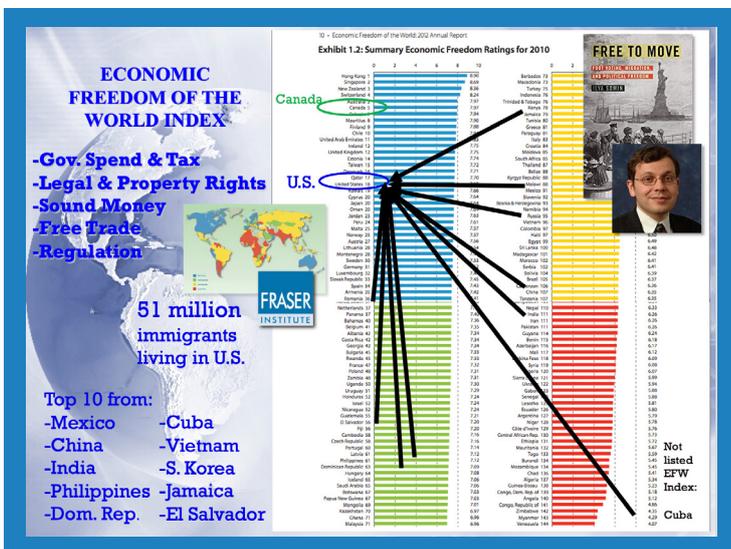
16- “Why Legal Immigration is Nearly Impossible,” Bier, David J., CATO Policy Analysis, No.950, July 13, 2023 <https://www.cato.org/policy-analysis/why-legal-immigration-nearly-impossible>

People commonly skip queues or ignore laws in order to save time. In fact, 90% of Americans admit to driving over the speed limit, breaking the law to save a few minutes of time on the highway every day. They do so, knowing that speeding is a misdemeanor (as is avoidance of the immigration queue) and that it may increase the risk to their own lives and to the lives of others.

While speeding on the highway is frowned upon and occasionally warrants penalties, most people speed with little guilt or restraint. And everyone excuses the ambulance driver for speeding when a life is at stake. For many migrants, their lives surely are at stake. Some are seeking a better life for themselves and their families or just to escape warfare, criminal gangs, and political persecution.

When I hear someone complaining about “illegals” skipping the line at immigration centers, I ask if they have ever driven over the speed limit. “But that’s different!” Indeed it is.

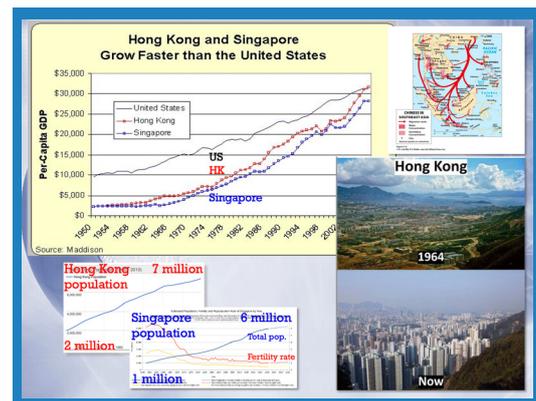
One is to save a few minutes and the other is to save a lifetime. Both are misdemeanors.



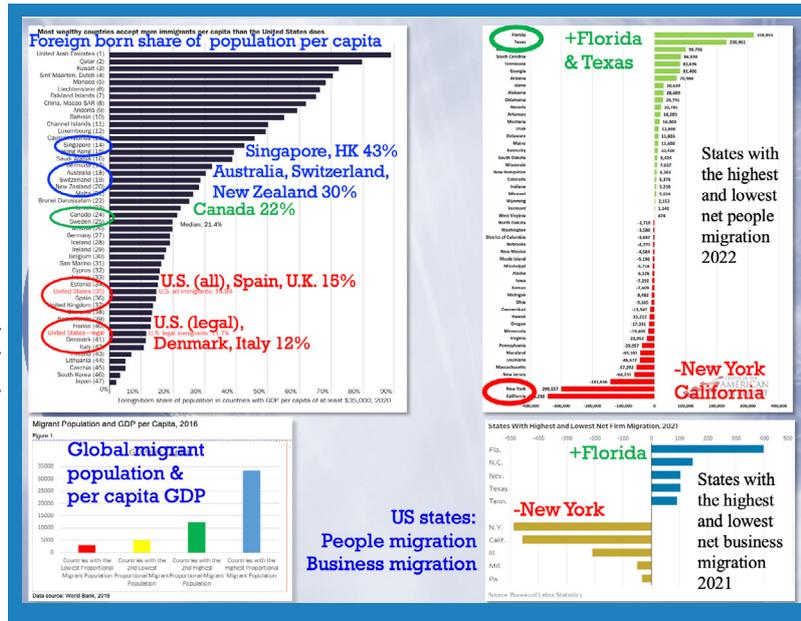
Economic Freedom Drives Migration

Why do people move? The Fraser Institute in Canada ranks nations on the Economic Freedom of the World Index, with top ranked nations experience high degrees of economic freedom and low ranked nations have little or no economic freedom. Economic freedom is measured by 5 criteria: low taxes, secure property rights, sound money, open trade, and minimal regulations. High degrees of economic freedom usually result in greater prosperity, greater health and education, greater civil and political freedoms.

People very rarely move from areas of high freedom to low freedom. Throughout the world and throughout history most people have escaped regions of low freedom to go to regions of high freedom. And those nations with the highest proportion of foreign-born population are the most prosperous regions of the world.



That is why Hong Kong grew from being one of the poorest economies of the world to becoming richer per capita than the United States in the span of 70 years with a great influx of refugees from China and Vietnam—swelling the population by 250%. Immigration made that small city state prosperous beyond imagination.



It is this search for free markets that has driven Americans to migrate internally as well. In recent years great numbers of the population and many businesses have left the high tax states of New York and California to move to the low tax states of Florida and Texas.



In the sports world we see constant popular clamor for migrants. Sport teams and their fans always demand the best of performance, regardless of where in the world these athletes were born. This is apparent in the scramble for players and television ratings. Twenty-six percent of football players are expatriates. The Most Valuable Player Award in the NBA has gone to expats in the past five years. This eagerness for the best should be allowed for producers and entrepreneurs in every occupation.

Albert Venn Dicey
1835-1922, British Jurist
Foremost Constitutional Scholar, Oxford University,
Popularized phrase: "Rule of Law"

Three principles formed part of uncodified British constitution:

1. Law is codified and not subject to change by arbitrary whim. The government may not enforce any law but the one written down and made available to every literate citizen. Any alteration to such laws must also be recorded.
2. Law must apply equally to everyone—i.e. King not above the law
3. Law of the constitution is not the source, but is the consequence of the rights of individuals. Natural rights, as defended by common law through jurists, is superior to constitutional law.

When insisting that people follow the law, let's recall the purpose of law. Albert Venn Dicey, the British jurist who popularized the phrase "rule of law," outlined three principles of proper law: 1) law must apply equally to all, 2) law must be consistent, not whimsical, and 3) law must uphold individual rights. These are the standards to distinguish between good law and bad law. The rule of law, proper and just, should uphold the right of people in the U.S. to decide for themselves from whom to buy and whom to hire.

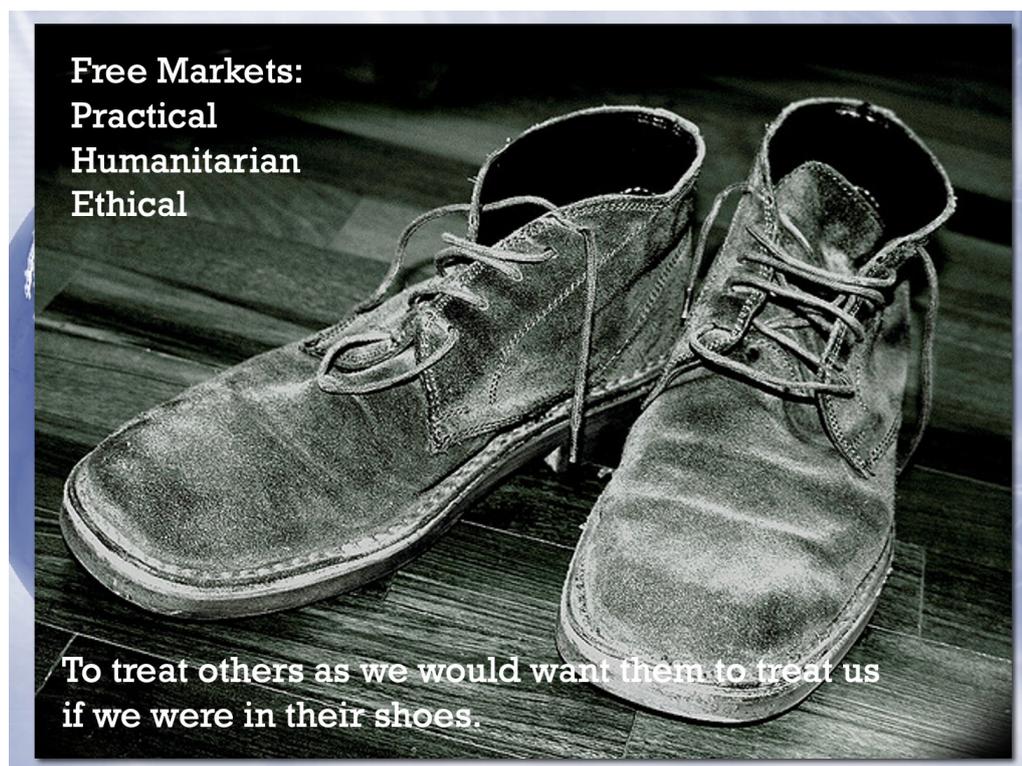
Sadly, the law has been perverted so that instead of upholding individual rights, the law has been used to violate human rights and rob from the general populace in order to shower plunder on the politically powerful and their cronies. There is no moral obligation to uphold bad, unjust law.

Indeed, the tables have turned. Who are the real criminals? A) Those illegally crossing borders to flee tyranny and poverty? Or B) those erecting "legal" barriers against free trade in order to empower cronies and authoritarian rulers? The moral case is clear. The law has been perverted to plunder consumers, taxpayers, and traders in order to reward the powerful.

Lessons

What is the lesson to be learned? If one is looking to end poverty, authoritarian rule, civil strife, drug wars, and desperate migrations, then start with openness to trade. Freedom is the solution to these world problems.

We must not be deceived by the words of political leaders. Rather, we must follow the consequences of their actions. Interventionist economic policies that interfere with voluntary human action inevitably, despite the rhetoric, lead us on that torturous Road to Serfdom¹⁷-- to ever greater poverty and tyranny. Conversely, respecting freedom undermines authoritarians while liberating society.



17-The Road to Serfdom, Hayek, Friedrich, University of Chicago Press, 1944

