

# Vulgar Libertarian Smackdown

Kevin Carson

March 7, 2005

Some good stuff at Our Word is Our Weapon this week.

In a post on water privatization, Jim gets in a good one against the ASI's Alex Singleton, who wrote an (obviously) pro-privatization post at the Globalization Institute blog.

In addition to mysterious memory lapses when it comes to revealing vested interests, Alex's post for the Globalization Institute betrays all the hallmarks of an ASI blogpost: no link to the material being criticised so that people can actually get the other side of the argument, no factual evidence to back up your assertions, carefully phrased generalisations that sound more impressive than they actually are, and so on. One thing is different, though: the ASI blog is famed for deleting comments and trackbacks that express dissenting views, while the Globalization Institute saves time by not allowing any comments or trackbacks in the first place!

Incidentally, why is it that for people like our friends at the ASI, "privatization" always equates to "sell-off to a capitalist corporation"? It's hardly self-evident. Producer and consumer cooperatives, commons and other communal property, etc., have just as legitimate a claim to being "private property" as General Motors or Wal-Mart. In fact, they're probably a lot closer to the forms of property that would predominate in a genuine free market than GM or Wally World. Here's what Karl Hess had to say in *Libertarian Forum* back in 1970:

Libertarianism is a people's movement and a liberation movement. It seeks the sort of open, non-coercive society in which the people, the living, free, distinct people, may voluntarily associate, dis-associate, and, as they see fit, participate in the decisions affecting their lives. This means a truly free market in everything from ideas to idiosyncracies. It means people free collectively to organize the resources of their immediate community or individualistically to organize them; it means the freedom to have a community-based and supported judiciary where wanted, none where not, or private arbitration services where that is seen as most desirable. The same with police. The same with schools, hospitals, factories, farms, laboratories, parks, and pensions. Liberty means the right to shape your own institutions. It opposes the right of those institutions to shape you simply because of accreted power or gerontological status.

And more than one libertarian with the best of free market credentials has argued that the best way to “privatize” state property is to treat it as “unowned” property (in the Lockean sense), to be “homesteaded” by those currently using it (either the labor force or the consumers of its services). For example, in the same first volume of *Libertarian Forum* that the quote from Karl Hess is found, Murray Rothbard argued that

government property is always and everywhere fair game for the libertarian; for the libertarian must rejoice every time any piece of governmental, and therefore stolen, property is returned by any means necessary to the private sector... Therefore, the libertarian must cheer any attempt to return stolen, governmental property to the private sector: whether it be in the cry, “The streets belong to the people”, or “the parks belong to the people”, or the schools belong to those who use them, i.e. the students and faculty. The libertarian believes that things not properly owned revert to the first person who uses and possesses them, e.g. the homesteader who first clears and uses virgin land; similarly, the libertarian must support any attempt by campus “homesteaders” the students and faculty, to seize power in the universities from the governmental or quasi-governmental bureaucracy.

Rothbard and Hans-Hermann Hoppe both proposed “privatizing” state industry in post-communist societies on a radically different model from the ASI. To quote Rothbard:

It would be far better to enshrine the venerable homesteading principle at the base of the new desocialized property system. Or, to revive the old Marxist slogan: “all land to the peasants, all factories to the workers!”

Larry Gambone has suggested “mutualizing” social services: decentralizing them to the smallest possible unit of control, and making them the cooperative property of those using them. If we take the final step of funding them entirely with voluntary user fees, we will have completed the process described by Proudhon in *General Idea of the Revolution in the Nineteenth Century*, of “dissolving the state within the social body.” The state will wither away, its successor organization being just another form of voluntary cooperation: and there’s no reason why the “social body” that’s left should have a corporate face.

If anything, water seems to be an ideal candidate for mutualization, since (as the World Development Movement study Jim links to argues) local water utilities are a natural monopoly, and insulated from competition by the nature of things).

For a start, water is a natural monopoly meaning that competition – and any resulting efficiencies – is impossible. As the European Commission’s Directorate General (DG) for Competition which, amongst other things, is working on how to organise the water sector within the European Union, recently stated, “the liberalisation of water is unlikely to result in the same benefits as other network industries because a large proportion of the cost of supply of residential customers is incurred by the distribution network (which would remain a monopoly) and there is little scope for supply from distant sources.” In short, this is saying that there will be no competition and no resulting efficiency gains. [p. 17]

Another interesting point is that “privatization” often saves governments little if any expenditure, after taking into account the concessions needed to lure a private buyer or even subsidies to keep the “privatized” utility profitable. “Crony capitalism” doesn’t do this phenomenon justice—a better term would be “looting”:

Instead of encouraging investment, privatisation has left governments offering increased concessions to entice investors to acquire their assets— often to meet the requirements of donors. For example, between 1991 and 1998 the Brazilian Government made some US\$85 billion through the sale of state run enterprises. However, over the same period, it spent US\$87 billion ‘preparing’ the companies for privatisation.

Rather than being a major source of finance, private contractors are committing little of their own capital and are instead looking to municipalities, central government or donor governments/institutions to provide the money...

In fact, in many cases foreign companies are relying on the donor community to bail them out when they get it wrong. [p. 23]

I do, however, dispute one of the WDM’s criticisms of privatized water: that it fails to extend water and sanitation networks to the poor. All public services should be operated on a cost basis, at least as an end goal. Regardless of whether a water or sewer system is owned by state, corporation, or mutual, it is unjust to force some people to pay rates higher than the cost of delivering services, in order to subsidize costlier services to the unfavorably situated. It seems to me that outlying areas where the extension of centralized water and sewer grids is prohibitively expensive are clearly cases in which it makes sense to do as much as possible with decentralized, intermediate technology: maximizing capture and storage of rainwater with cisterns, recycling wash water, using cheap and well-designed composting toilets, mulching and soil-building to minimize irrigation needs, etc.

In another great post, Jim eviscerates some vulgar libertarian boilerplate at the ASI blog, also by Alex Singleton. This time, it’s against Fair Trade coffee.

This part of Jim’s response, in particular, is crucial:

It’s interesting that the ASI makes no mention whatsoever of the remarkably uncompetitive nature of the world coffee market. As pointed out by ActionAid and Jacques Morisset of the World Bank, the gap between the price paid to coffee farmers and the prices paid by consumers has grown greatly in the last few decades, a process which can be largely attributed to the increasing concentration of market power among fewer and fewer giant firms at the processing and retail stages of the production chain. Farmers are faced with an oligopsony, and consumers with an oligopoly — with the net result of this grossly uncompetitive market being a great transfer of wealth from farmers and consumers to hugely profitable firms.

It’s a point that needs to be brought to Singleton’s attention. The bulleted point in the latter’s post that struck me most was this:

Mechanization means that only a small proportion of the world’s coffee producers are actually needed. In Brazil five people and a machine produce the same amount

of coffee as 500 people in Guatemala. We should help people adapt, not encourage them to stay in outdated jobs.

It's quite telling that Singleton refers to "mechanization" as some sort of autonomous process that just happens, and people either "adapt" to or die. But unless you're writing a puff piece for the ASI, there are several questions that seem to spring to mind spontaneously. For example, which firms decided what the standard model of production would be? How many of production is controlled by how many firms? How much of the coffee-growing land do they own or control, and how did they come by it? In short, how, and by what right, did they come to be in a position to "outdate" the jobs of people using more labor-intensive production methods?

Whenever I hear someone attempting to depict globalization or the like as an impersonal force of nature that just "happens," to which we all need to "adapt," I instinctively turn on my bullshit detector. It reminds me of the demands in *Who Moved My Cheese?* that we "adapt" to "change," without asking a bunch of insubordinate questions about who's imposing the change and who stands to benefit from it. Under state capitalism, the prevalence of certain organizational cultures and production technologies industry-wide, in any industry, is seldom (if ever) the result of spontaneous market forces. It usually turns out to be the result of domination, of revolution imposed from the top-down by the holders of illegitimate power, and has about as much to do with "free markets" as Gosplan.

The corporate deadlock on world food production is almost entirely the result of state intervention in the market.

For example, the new plant varieties (including genetically engineered varieties) identified with the "Green Revolution" are heavily dependent on state funding of research and development, and on the state's enforcement of so-called "intellectual property rights" (really a state grant of monopoly privilege). One of the uses of so-called "intellectual property" is to prohibit the saving and distribution of seeds between producers, and thus to drastically increase the cost of seed inputs. In general, patents have huge concentrating and cartelizing effects on the market structure: and this is particularly true of genetically modified foods.

The market share of GM foods in the West reflects the imposition of regulatory controls on the free flow of information in the market. In the U.S., especially, the FDA acts on behalf of agribusiness to prohibit processors or grocers from labelling GMO content; food libel laws are also used to suppress the free flow of information. The market share of GM foods depends on forcibly preventing consumers from learning of GMO content.

The state's transportation subsidies, which externalize distribution costs on the taxpayer, make it more feasible to offshore food production to giant agribusiness plantations in the Third World.

The state's collusion with both quasi-feudal landlords and agribusiness TNCs has resulted in millions of peasants being robbed of their traditional rights in the land, their private plots being consolidated for cash-crop agriculture. As one small example, consider this description of Unilever's operation in India (Hindustan Lever, or HLL):

Adivasi villagers say they have been harassed and intimidated, that their houses have been pulled down and their tea plants uprooted in a long-running land ownership dispute with estate managers at the Davershola tea plantation, owned by HLL. Five adivasi tribes of the Gudalur valley, including the Paniyas, Bettakurumbas and Irulas, are fighting for their ancestral rights to the land. Villager Vayal Madan from

Kadchinkolly village says his family lived in constant fear of HLL estate managers. 'We were terrified,' he says. 'They would tear down semi-permanent huts that we built. Anything we planted was always destroyed. They would chase us off our land...Unilever is very powerful. This is a company controlling thousands of acres, yet they are not ashamed to evict poor adivasis who have a quarter to half an acre of tea.'

But the current war on peasant proprietors is merely a mopping-up operation. Given the track record of expropriation by the colonialists of the nineteenth and early twentieth centuries, and the genocidal actions to thwart land reform like that taken in Guatemala in 1954, it's a wonder the landed oligarchies can find any traditional property rights to abrogate. The past two centuries in the Third World have been a replay of the English enclosure movement, and the persistence of traditional property rights is a quaint relic comparable to the occasional survival of peasant rights of commons in England.

The handful of giant, vertically integrated transnational agribusiness corporations that control most of the food supply chain, from the development of genetically engineered seeds through the distribution of processed food, are enemies of free markets. Consider this quote from Dwayne Andreas, the former CEO of one of them (Acher Daniels Midland):

There isn't one grain of anything in the world that is sold in a free market. Not one!  
The only place you see a free market is in the speeches of politicians.

Or this one by ADM President James Randall:

We have a saying in our company: "Our competitors are our friends. Our customers are the enemy."

It would be hard to find any nominally private industry that's more of a state dependency than corporate agribusiness. Indeed, the distinction between "public" and "private" becomes meaningless at the commanding heights of the state capitalist economy. The giant corporations occupy the same position in relation to the state as did the great landlords under feudalism: they don't just control the state; they are the state.

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