Abstract:

In this essay we make the case for privatization, in general, and, then, apply it to some difficult cases: oceans, roads, heavenly bodies

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I. Introduction

The economic case for privatization is relatively straightforward. Private owners of capital risk their own money when they engage in commercial activity. If they satisfy customers, they enhance their holdings; if they fail to do so, they lose profits and are eventually driven from business, if they fail to see the error of their ways and correct it.

In contrast, when the state provides goods and services, no such market weeding out process occurs. The government can create an Edsel; if no one buys it, or only is willing to do so at a price lower than the costs, there will be a budget deficit. But this will not at all necessarily force those responsible for perpetrating this economic error to reverse themselves. On the contrary, the losses can be offset with increased tax revenues.

This is why it is far more efficient to allow private enterprise to provide for our needs. Not because the government bureaucrat can never be more efficient; sometimes, conceivably, he can. It is, rather, because of this automatic self-correcting feedback mechanism.

If, for some reason, the state has taken control of an industry, sound public policy requires that it be privatized: turned back to individual entrepreneurs and firms. This can be done through auction, through homesteading, through outright gifts of government property to individuals.

When applied to ordinary goods and services, such as housing projects or post offices, air carriers or shipping lines, steel mills or hotels (to mention only a few of the thousands of items sometimes produced in the public sector), such a process may be characterized as ordinary privatization.

But when this analysis is applied to items such as roads, highways, streets, sidewalks, and other thoroughfares for auto and pedestrian; or to rivers, ponds, lakes, aquifers, streams, oceans and other bodies of water; or to the earth's skies, the heavenly bodies and the oxygen that will be needed to keep us alive in these inhospitable environments; we have reached what might be called radical privatization.

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The purpose of the present undertaking is to study radical privatization.

We will explore the positive economic question as to why these resources are widely believed to be beyond the scope of private enterprise. As well, we will consider the moral case in behalf of privatization, the view that the individual is the ultimate sovereign, and therefore ought to be entrusted with the provision of all economic goods and services, including, particularly, those of a "radical" variety. We will analyze the case offered by the socialists in behalf of their view that the only rational way to economically develop them is through centralized, sovietized, state control. We will reject these hypotheses, and maintain that the case for privatization applies in the radical as well as the ordinary domain.

In section II we address roads, streets and highways. The subject of section III is space and in IV, bodies of water. Section V is given over to the process of privatization and we conclude in section VI.

II. Transportation corridors

Most people, even some previously avowed socialists, will nowadays concede the case for ordinary or moderate privatization. The economic success of Margaret Thatcher's program, coupled with the utter failure of such places as the USSR, North Korea and Cuba, has rendered far less inexorable than previously thought the march toward the centrally planned economy. But most commentators still recoil in horror from the prospect of radical privatization (of such things as oceans, roads and heavenly bodies).

When confronted with such an idea, they respond with a welter of objections. These include monopoly, externalities, public goods (rivalrousness and excludability), and the claim that it would be too expensive to establish private property rights. If homesteading is adopted, there is the issue of intensivity or extensivity of settlement; that is, how much land will planting one tree attain for its owner: one acre? one square mile? As well, there


is the critique of over optimal or premature settlement. That is, will entrepreneurs under such a legal system develop property before it is economically advantageous to do so? Nor do the advocates of the status quo see any great or compelling reason to establish property rights in such a context.

In all this, I shall argue, the opponents of privatization are in error.

First of all, there are indeed good and sufficient reasons to press for privatization. Take roads, to begin with. For the last 40 years or so, traffic fatalities on the nation's highways have been in the range of 40,000, annually. To put this in some perspective, this is almost the number of U.S. soldiers who died in Viet Nam, in all the years the U.S. fought there (about 50,000). Defenders of the present system of road socialism often claim that highway deaths have nothing to do with statist ownership and management. They maintain, to the contrary, that the causes include such things as drinking while driving, excessive speed, vehicle malfunction, poor weather conditions, driver inattention, etc.

But this is to confuse proximate with ultimate cause. Yes, those are indeed the proximate causes of the highway slaughter of innocent people. But the ultimate cause is the road managers (the government bureaucrats, politicians, police) whose task it would be in a rational world to safeguard motorists. It is they who have been unable to stop the drinking drivers, the speeders, to ensure better vehicles, to force people to proceed with more caution during inclement weather.

Who do we hold accountable for restaurant failure? The chef who cannot cook? The waitress who allows the food to get cold? The sweeper who fails to clean the facility? Not a bit of it. These are merely proximate causes. On the contrary, it is the restaurant owner manager who failed to hire better cooks, waitresses, cleaners, etc., who is the ultimate cause of the business failure. In like manner, we must see the government road manager as responsible for highway carnage. And this applies as well to other transportation problems such as traffic congestion.

How might road privatization save lives? At present, on the nation’s highways, there is one rule for speed limits that fits all: 40 miles per hour minimum, and a70 mph maximum. Very few motorists travel at the lower level, but, if you do 70, you will be likely passed by most, who typically proceed at 75 miles per hour without being “served and protected” by the state troopers. Maybe, then, the real cause of accidents is not excessive speed, but the variance thereof? Can we say this with any degree of certainty? We cannot, since the highways in all fifty states have the same exact rules. Perhaps lives would be saved if the standard deviation of speed were radically reduced. Maybe, everyone in the left lane should do 80 miles per hour, no deviations, all in the middle lane, 70, and motorists in the right one 60. Would this reduce the death toll? Again, we cannot say, since the highways in all fifty states have the same exact rules and no such experiment can be introduced. Or, also, plausibly, 75, 70 and 65 would be better. Again, we cannot say, since the highways in all fifty states have the same exact rules and no such experiment can be introduced.

There are signs posted to the effect that slower vehicles should “stay to the right.” But, this rule is rarely if ever enforced. Sometimes, a “slowpoke” pokes along in the

5 Block, 2009
6 “Quasi rule” might be more accurate
left lane at a legal 55 mph. This necessitates numerous lane changes, as everyone else
tries to get out in front of this inconsiderate driver. Would heavily penalizing such
behavior save lives? Again, we cannot say, since the highways in all fifty states have
the same exact rules and no such experiment can be introduced.

The point is, if separate road owners were able to institute slightly different rules
of the road, such experiments might point us in the proper direction. This is roughly
why we have pretty good pizza, shoes, pencils, computers, air conditioners, etc. But,
again, we cannot say for sure in the case of highways, since the highways in all fifty
states have the same exact rules and no such experiment can be introduced.

III. Space

There is of course no pressing need to privatize the moon, Mars and other
heavenly bodies. We are a long way from settlement there. But it is not too early to
begin making the case that private enterprise would be a more suitable vehicle for this
effort. Paradoxically, government endeavors in this direction may well have retarded,
not enhanced, the march toward the stars. By wasting massive amounts of money on the
moonshot several decades ago, the state utilized funds which might have better been
devoted to more basic research.

Why would the market be a better means of space exploration and settlement
than government? Let us count the reasons. For one thing, there is the tried and true
weeding out process. When private companies do not succeed, they lose profits and go
bankrupt. In very sharp contrast, but government enterprise fails, for example, the U.S.
Post Office, they can keep going, courtesy of taxation, for the long run. This is
particularly important in moving to another planet or the Moon, where costs are likely
to be as astronomical as the terrain to be covered. For another, there is that little matter
of preserving the human race from the depredations of the state. In the last century,
governments, apart from the wars they are continually fomenting, have killed some 200
million of their own citizens. One of the most important reasons for spreading out our
species to Mars, the Moon, and beyond, is to increase the probability that at least some
of our fellow creatures will survive the next paroxysm of the statists. The last thing we
need is for more of this virus to be spread around the solar system. So, yes, let us
entrust the survival of the species to that institution that leads to life, not death.

IV. Water

Consider now bodies of water. Again, there are numerous problems, only now it
is not so much with government ownership as with non ownership, which brings about

7 For more on this see Nelson and Block, forthcoming
8 Assuming, that is, they are not “too big to fail” which is a problem of government, not market,
failure.
9 Block, 2006; Branfman, 2013; Conquest, 1986, 1990; Courtois, et. al. 1999; DiLorenzo, 2006;
Rummel, 1992, 1994, 1997. Nor does this take into account the tens of thousands of hapless
people killed by public roads (Block, 2009) and institutions such as the Food and Drug
Administration (Becker, 2002; Goodman, 2011; Gottlieb, 2010; Henninger, 1990; Higgs, 1994;
Hoppe, 1993; Kaitlin, et. al., 1987; Kazman, 1990; Klein and Tabarrok, Undated; Newman,
War (Block, 1993, 1996; Block, Wingfield and Whitehead, 2003; Cussen and Block, 2000;
the "tragedy of the commons." Fish stocks are endangered, and whales are close to extinction, not because of a generic "capitalism," nor "greed." These problems stem rather from the fact that as unowned resources, people have no incentive to economize upon them. Virtually the same threat almost overtook land animals such as the buffalo, the alligator, the rhino and the elephant, which (are) were also in the precarious position of non-ownership.

Roughly three quarters of the earth's surface is covered by water. Yet the GDP derived therefrom is disproportionately small compared to that created on the land. It is no exaggeration to say that we are now, with regard to the oceans where we were hundreds of thousands of years ago with regard to the land: merely in the hunting and gathering stages. With miniscule exceptions, we have not yet attained the relatively exalted status of farming or mining in the seas. Water rich countries such as Canada ban the bulk export of this resource. We made no real progress on the earth until the advent of land privatization; before that, the tragedy of the commons debilitated economic development of the earth as it now does the water.

The solution offered by the United Nations is its "Law of the Sea Treaty," whereby all countries would become the common owners of the oceans. But operating the seas the way the Soviets collectivized the farms is exactly the wrong way to proceed. We must instead look in the opposite direction, toward privatization.

How many different firms should own the ocean? We extrapolate from land ownership. If 1 million people own all the land, and the ocean is three times bigger, then 3 million different groups should (initially, that is) own the ocean. Here’s where, God forgive us, CR4s and Herfendahl indices come in. How do you demarcate property barriers in the ocean? Lines on a map. There are three ways, and only three ways (note how systematic we’re now being) of capturing water for ownership. 1. You own a specific molecule of water, wherever it is: river, ocean, in the air. 2. You own, only, the bottom and sides of rivers, lakes an oceans, and none of the water. 3. You own the bottom and sides of rivers, lakes an oceans, and the water therein, temporarily, only while it is on your “land,” subject to the side order condition that you don’t fuck with the water while its on your “land.” What constitutes fucking in this context? Well, tradition, the past practice. Suppose there’s a drought; who suffers? All owners, equitably proportionate. Suppose the drought is localized? Then, whoever owns the area that suffers. We don’t have to wait, to privatize water, until we have anticipated all possible problems. We’ll never do that, even after a 1000 year Reich of water ownership; heck, we’ve owned land, privately, for more than 1000 years, and we’re still facing problems never before anticipated. There are four aspects of oceans (well, all bodies of water). A. the surface (shipping, swimming); B. the water itself (fish, submarines) C. the ocean floor (manganese nodules) D. below the floor (oil). Some creatures, entities, utilize more than one of these, but not all four; three at most, the top three: submarines, whales. Maybe, just the top two, unless they sit on the ocean floor. Do we own the ocean horizontally (4 separate owners for each patch of ocean) or conically? These are all issues to be worked out by a private water-owning industry.

V. The privatization process

At the outset, this would appear a quixotic task. How, after all, does one transfer a road or lake from the public to the private sector? The very idea appears ludicrous.
Fortunately, we do not have to invent the entire wheel: there are some precedents which can guide us. Oil is a liquid, and yet this has not stopped private ownership, at least in the U.S. Railroads are very long and narrow entities (like highways), and yet, at least in the U.S., and, initially, Great Britain, they have long been under private control. And this is true as well of turnpikes. The first of them were built, managed and organized by private stock companies. Nor is this just a matter of history.

How would a massive effort at privatization be conducted? With regard to the moon and Mars, this could easily be accomplished. All that need be done is to recognize that government's proper role is at most limited to adjudication, defense, law giving and recognition and protection of person and property rights. It simply has no business floating around in space. All government satellites need be turned over to private interests. Paths for airlines should be given to those who have homesteaded them. This may be politically difficult, but presents no serious philosophical challenge.

More difficult, conceptually, are bodies of water. For here we deal not only with surface rights of egress (e.g., shipping lanes), but also with ownership of fish and minerals, as well as the ocean floor and even below. Fortunately, we are not without precedents. There is case law concerning low flying planes violating the property rights of the landowners below; there are solutions to disputes over the ownership of oil pools; there are adjudications between surface owners and mining interests on the land.

As well, there are fences. Before the advent of barbed wire, there was branding. The cowboys of screen and song actually constituted "human fences." So far, of course, there are no "water fences," able to keep one person's fish separate from others. But this is because we do not yet have private property rights in the ocean. When and if we did, the presumption is that mankind would then be free to turn his considerable technical knowledge to such a task. If we can land a man on the moon, we can certainly corral a bunch of fish. We already have forms of electrical "fences," but these apply to computers, internets, radio waves, not bodies of water. The contention, here, is that what is keeping us from rationalizing the earth's water resources is not a matter of science or engineering, but of legal philosophy.

We must not of course underestimate the practical problems of radical privatization. They will be many and serious. For example, sailing vessels already criss-cross the ocean.

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10 For the case against governments entirely, that is, in favor of free market anarchism, writes Rothbard (1973): “For centuries, the State (or more strictly, individuals acting in their roles as ‘members of the government’) has cloaked its criminal activity in high-sounding rhetoric. For centuries the State has committed mass murder and called it ‘war’; then ennobled the mass slaughter that ‘war’ involves. For centuries the State has enslaved people into its armed battalions and called it ‘conscription’ in the ‘national service.’ For centuries the State has robbed people at bayonet point and called it ‘taxation.’ In fact, if you wish to know how libertarians regard the State and any of its acts, simply think of the State as a criminal band, and all of the libertarian attitudes will logically fall into place.” For more on this see Anderson and Hill, 1979; Benson, 1989, 1990; Block, 2007, 2011; Block and Fleisher, 2010; Casey, D., 2010, 2016; Casey, G., 2012; Chodorov, pp. 216–239; DiLorenzo, 2010; England, 2013; Gregory, 2011; Guillory & Tinsley, 2009; Hasnas, 1995; Heinrich, 2010; Higgs, 2009, 2012, 2013; Hoppe, 2008, 2009; Huebert, 2010; King, 2010; Kinsella, 2009; Long, 2004; McConkey, 2013; Molyneux, 2005; Molyneux and Badnarik, 2009; Murphy, 2005; 2010, 2013A, 2013B, 2014; Paul, 2008; Rockwell, 2014A, 2014B; Rothbard, 1965, 1973, 1975, 1977, 1998; Shaffer, 2012, pp. 224-235; Sloterdijk, 2010; Spooner, 1870; Stringham, 2007; Tannehill, 1984; Tinsley, 1998-1999; Wenzel, 2013
Fishermen have been plying coastal and deep waters for decades. There are numerous oil wells already located at sea. How will the new property dispensation impact them? How shall conflicts of interest between the various ocean users be resolved?

Fortunately, there is yet another technique to aid us, at least insofar as clarity of thinking is concerned: homesteading. Whenever the practical difficulties threaten clear analysis, we can resort to the following contrary to fact conditional: suppose that homesteading had been utilized from the very beginning. Suppose, that is, we could start from scratch. How might a property rights regime have evolved? This mental experiment can be used to address difficult practical problems: all we need do is explore scenarios where we convert present day reality into closer proximity with what would have evolved had homesteading always been in effect.

As well, there is a wealth of data which can be utilized particularly from the Russian and East European experience with privatization, to say nothing of previous practice in the U.S., the U.K. and elsewhere. Further, there is the tradition of admiralty law, used to resolve disputes among different sea faring nations.

Homesteading implies that those who have been using a resource have the most valid claim to it. According to this doctrine, those who have been working in the U.S.S.R. factories, for example, would be given shares in them after privatization. Margaret Thatcher used a similar principle with regard to council (e.g., public) housing: it was given to the occupants.

But what happens when there are no clear historical users? With regard to Mars or the moon, this presents no real problem: we announce that the ownership rights of the first people to settle there will be recognized. But there will be insuperable problems as far as, say, the hilly regions north of Vancouver, British Columbia, Canada, are concerned. No one, so far, has used them, yet they are very valuable, as they abut extremely high priced real estate. Once announce that they are open for homesteading, and chaos will ensue in a land rush. Here, clearly, it is not easy to see how homesteading can suffice. A better plan might be a giveaway to all citizens, the pattern used in this Canadian province for the British Columbia Resources Investment Company.

VI. Conclusion

What are the benefits of such a study? For one thing, actual lives can be saved. With highway privatization, there is reason to believe that thousands of motorists who might otherwise be condemned to an early death will have their lives prolonged. For another, wealth can be vastly increased; there is no other possibility than a gigantic upsurge in ocean GDP once under the control of private owners. But a study of radical privatization will have other practical benefits as well. For there is still much "ordinary" property still improperly in government hands; making the case for radical privatization will render these other privatizations less "extreme" by comparison. For example, while most land east of the Mississippi is now in private hands, this is not at all true west of this river. On the contrary, an inordinate amount of land in the western United States is still controlled by government, in some states far more than half. With the vista of radical privatization provided by the present study, this may lend new impetus to the sagebrush "rebellion."
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