



We The People

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We the People 248 Capitalism is Looting the People

Good day to you. I have come to the conclusion that **capitalism** is successful primarily because it can impose the majority of the costs associated with its economic activities on outside parties and on the environment. In other words, capitalists make profits because their costs are externalized and born by others. Society has to pick up the tab produced by capitalist activity. When critics have raised the question about consequential costs, economists answered that it was not a problem because those harmed could be compensated for the damages they suffered. This statement was intended to **reinforce the claim** that capitalism served the general welfare. However in reality no one is compensated. A recent article by Paul Roberts made it clear that very little, if any real estate development would be profitable if the external costs imposed on existing property holders had to be compensated. Consider this example, when a taller house is constructed in front of one of less height, the water view of the smaller is defeated. The damage to the property value of the house whose view has been blocked is immense. Would the developer build such a tall structure if the disadvantaged owner had to be compensated for the decline in value? As real estate developers activity builds congestion, quality of life is diminished. Once a short drive to work now becomes an exhausting queue of cars in semi grid lock. People pay the price of the developers' profits while flawed governance takes no account of the social damage that occurs. If developers had to pay these costs instead of passing them on to taxpayers, would their projects still be profitable?

Now consider the external costs of off-shoring the production of goods and services. When production facilities in Australia are closed and the jobs are moved to China, Australian workers lose their jobs, careers, retirement funds and often their self-respect. Some fall behind in their mortgage and lose their homes. Governments lose the tax base as personal income and sales taxes decline. In the USA whole communities are left abandoned to rot and crime escalates. Social security and health funding is impacted as payroll tax falls and infrastructure declines. Social safety nets suffer too as money is not available. Education, superannuation and so much of life begins to fail. All of these costs greatly exceed the profits from substituting cheaper foreign labour. A country that was intelligently governed would not permit this. As Australia is poorly governed, the executives and shareholders of global corporations are greatly enriched because they can impose the **real costs** associated with their profits on the people. The unambiguous fact is that free world capitalism is a mechanism for **looting the many for the benefit of the few**. Modern economics was constructed in order to support this looting. In other words, economists are parasites just like the Western print and TV media. Yet, Australians and Americans are so ignorant that you will hear those who are being looted actually praise the merits of "free market capitalism."

So far we have barely scratched the surface of the external costs that capitalism imposes. Now consider the pollution of the air, soil, waterways, and oceans that result from profit-making activities. Consider the radioactive wastes pouring out of Fukushima since March 2011 into the Pacific Ocean. Consider the dead zones in the Gulf of Mexico from agricultural chemical run-off. Consider the destruction of reefs in Queensland from fertiliser runoff into rivers. The corporations responsible for this destruction bear none of the costs. If it turns out that global warming and ocean acidification are consequences of capitalism's carbon-based energy system, the entire world could end up dead from the external costs of unbridled free enterprise.

Free market advocates love to ridicule economic planning and say that "markets are self-regulating." There is no sign anywhere of this self-regulation. Instead, there are external costs piling up and accumulating as a costly compounding debt. The absence of planning is why over-development is making Australia and indeed the Gold Coast dysfunctional. Planning does not mean the replacement of markets. It means the provision of rules that produce rational results instead of shifting costs of development onto the people and third parties. If capitalism had to cover the cost of its activities, how many of the activities would pay? As capitalists do not have to cover their external costs, what limits the expense because once the external costs exceed the biosphere's ability to process the waste products associated with external costs, life ends. Think about it and the consequential costs because the politicians don't care.

**Until next time this is Kent Bayley**

(Acknowledgement to Paul Craig Roberts)