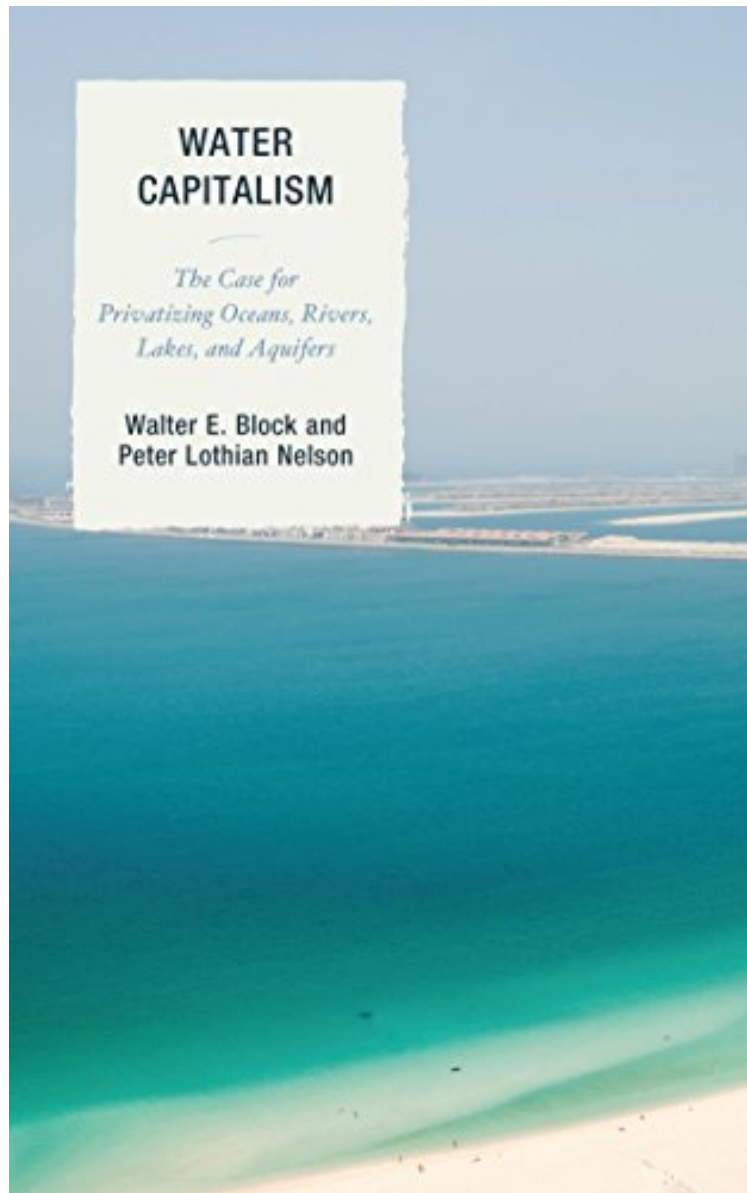


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## **Water Capitalism: The Case for Privatizing Oceans, Rivers, Lakes, and Aquifers (Capitalist Thought: Studies in Philosophy, Politics, and Economics)**

*Walter E. Block, Peter L. Nelson*

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**Walter E. Block, Peter L. Nelson : Water Capitalism: The Case for Privatizing Oceans, Rivers, Lakes, and Aquifers (Capitalist Thought: Studies in Philosophy, Politics, and Economics)** before purchasing it in order to

gauge whether or not it would be worth my time, and all praised *Water Capitalism: The Case for Privatizing Oceans, Rivers, Lakes, and Aquifers* (Capitalist Thought: Studies in Philosophy, Politics, and Economics):

4 of 5 people found the following review helpful. Libertarian thinking mis-applied to water means most of these ideas are not viable. By David Zetland I was sent a review copy of this book on the request of its authors, Brock and Nelson (BN), and its provocative subtitle ("The case for privatizing oceans, rivers, lakes and aquifers") intrigued me. Sadly, the book is far more of a libertarian rant in favor of private property and against government regulation than is justified by the topic: water. In this review, I will go over the (fatal) weaknesses in BN's argument before spending some time directly responding to their interpretation and analysis of "my ideas" from my 2011 book, *The End of Abundance: Economic Solutions to Water Scarcity* [omitted here]. I will pursue this two-part strategy to give their book its due, but my criticisms may apply to both their book and their interpretation of my book. Their book begins with a charming quotation associating the authors and their readers with "those maniacal mariners who have revolutionized society in ways that the petrified toe-dippers of the world never believed possible" and goes on to invite the reader to join them on a "wild ride." Sadly, that ride appears to take place on a fantasy road, rather than the roads of reality, as BN appear to totally ignore the fundamental nature of water in oceans and rivers (and to a lesser extent in lakes and aquifers), i.e., the non-excludable nature of water as a common pool or public good. Now BN clearly understand that difference, as they propose to privatize those commons, but they have (1) very little to say\* about the "transactions costs" of converting the ocean to a private good (the term doesn't even appear in the index), and (2) nothing to say about the "global authority" that would be necessary to implement and enforce such a plan. (Actually, they do claim that "courts" would enforce the plan... and suggest the Better Business Bureau and American Arbitration Association (p 22). I'm kinda doubting those organizations have jurisdiction over the Pacific Ocean or that the BBB or AAA would stop the Chinese or Canadian navies from taking "private water" by force.) Just over a year ago, I wrote "When to rely on markets and when politics?" to clarify that goods that are non-excludable (due to high transaction costs and/or lack of enforcement of property rights) need to be managed with that characteristic in mind, but BN think that's unnecessary as they try to put square pegs into round holes. (They do engage a bit with Ostrom's work on managing common-pool good, but Brock seems reassured by his earlier criticism of Ostrom, i.e., that the only way to address the tragedy of the commons is by privatization, i.e., making common-pool goods excludable.) Let me note here that I am happy to consider changes in property rights as a means of addressing water mismanagement (see my paper on giving property rights in national water to citizens or this one on auctions for water [pdf]), but those "solutions" work with -- and depend upon -- political interventions. They cannot work from a pure laissez faire perspective. See below (on my book) for more on why all or nothing solutions such as BN's are oversimplified. A few details from their writing will help you see just how naive some of their claims are: "18 billion more people could live on our planet if we could privatize the seas" to allow private production on water (page 3). The water cycle should not impede privatization just as the land cycle (volcanoes, erosion) does not stop privatization as "a cycle is a cycle is a cycle" (page 5). Privatization of the oceans will "end the epoch of 'non-restrained fish migration.' They will have no more liberty to travel than do barnyard animals" (page 7). Each of those claims will attract criticism, but they are stated as if uncontroversial. Looking for more? How about "Who will rightly own the rivers, lakes and oceans. On what basis will property rights in these bodies of water be distributed? It starts with the Lockean principles of homesteading" (page 9). Although I am pretty sympathetic to the tragedy of the commons that affects, say, the migration of Atlantic tuna, I am pretty sure that such a move to homesteading would (1) reward might rather than right and (2) entirely ignore the nature of oceans as a shared -- not private -- good. Just a month ago, Tyler Cowen said that I was a "conservative intellectual" when it came to water policy (due to my support for pricing, property rights, etc.), so it's not exactly hard for me to understand BN's libertarian perspective on privatization, but I reject those perspectives as both unrealistic (no political support) and ineffective (managing a non-excludable good such as migrant fish or the water cycle as if they were private). Going further (on might over right), I have to say I have my doubts that homesteading wouldn't just be another land water grab by colonial types disinterested in the traditional uses or communities that colonizers exclude from "their" land sea. Moving onto chapter 2, I noticed that BN appear to separate the world into "individuals with private property," government ownership mismanagement, and the commons of non-ownership. What's missing from this list is community ownership, which they -- I think -- mistake or confound with Soviet communism, especially when it comes to their examples ("suppose that t-shirts were all owned in common" page 16). This example betrays a total incomprehension of the difference between an excludable, rival good (a t-shirt) and non-excludable, non-rival good (the ocean), which means that nearly every parallel assertion they make in terms of efficiency, tragedy and so on is just wrong. It's with these kinds of basic errors in mind (perhaps common when few economists study non-market phenomena) that I quickly tired of BN's provocative but entirely unworkable ideas. For example, they claim that "chaos and government control" are the only alternatives to privatization when it comes to managing a community lake (page 16). It seems that they have never heard of a club or other organization for such a task. A pity. For example, they say "markets outperform state services in all times and places..." (page 17) but that claim is falsified by the existence, persistence and outperformance of legal and defense services over private providers. Yes, it may be better to have

private guards in some US communities, but there are plenty of places in the world where the government's monopoly on force helps average citizens prosper. For example, they claim that competition among sewage and drinking water providers would improve innovation (pp 26-27). First, they entirely miss the fact that those systems are "natural monopolies" -- meaning their high fixed set up costs and low marginal operating costs makes entry -- and thus competition -- difficult. Second, they appear not to understand that water utilities often combine public ownership with private cooperation and innovation. This kind of ignorance (or lazy ideology) really undermines any useful points that they might contribute. For example, in discussing ownership, BN say that "neither author subscribes to the riparian concept," which may be good when it comes to theories of the Tooth Fairy, but doesn't really matter when many people (billions of them!) do subscribe riparian regimes where one person's use is allowed as long as that use does not harm others. Seriously, that's why we think it's okay to have public swimming pools but not okay to pee in them! Bottom Line: I give this book TWO STARS for collecting a number of libertarian talking points into one place for those interested in their perspective on privatizing water in the oceans and so on, but the book is fatally flawed by a failure to reconcile those claims with the reality of water, economics, politics or existing institutions.===== \* Try as I might, I had a very hard time reading more than a page without coming up with a few objections, so I did not read between pages 37 and 208. Although such an omission may mean this review is biased, I am pretty sure that the authors did not fix the mistakes and omissions of earlier pages -- let alone drop them entirely -- so I stopped reading as soon as I felt like I understood where they went wrong in their analysis. That stop also made it easier for me to relax again, as the book was far too aggressive in making unsubstantiated -- and therefore flawed -- claims about how their ideas could or would be implemented. I will add here that this "problem" of ideological blinders occurs with "progressives" as well as "libertarians" as the people at both extremes seem unable to recognize explanations or trends that do not fit into their narrow bias (corporate evil and government evil, respectively). 1 of 3 people found the following review helpful. Great case for private property rights in general. By Customer Very little has been written regards to privatization of the oceans, lakes and rivers. Great case for private property rights in general.

Water covers some 75% of the earth's surface, while land covers 25%, approximately. Yet the former accounts for less than 1% of world GDP, the latter 99% plus. Part of the reason for this imbalance is that there are more people located on land than water. But a more important explanation is that while land is privately owned, water is unowned (with the exception of a few small lakes and ponds), or governmentally owned (rivers, large lakes). This gives rise to the tragedy of the commons: when something is unowned, people have less of an incentive to care for it, preserve it, and protect it, than when they own it. As a result we have oil spills, depletion of fish stocks, threatened extinction of some species (e.g. whales), shark attacks, polluted and dried-up rivers, misallocated water, unsafe boating, piracy, and other indices of economic disarray which, if they had occurred on the land, would have been more easily identified as the result of the tragedy of the commons and/or government ownership and mismanagement. The purpose of this book is to make the case for privatization of all bodies of water, without exception. In the tragic example of the Soviet Union, the 97% of the land owned by the state accounted for 75% of the crops. On the 3% of the land privately owned, 25% of the crops were grown. The obvious mandate requires that we privatize the land, and prosper. The present volume applies this lesson, in detail, to bodies of water.

In this pathbreaking tour de force, Professor Walter Block of Loyola University, New Orleans, and Peter Nelson, an engineer out of Colorado specializing in water resources, lay down the case for full-throttle Water Capitalism. In free-flowing, inter-disciplinary form our authors provide a jam-packed foundation (and I do mean jam-packed; the bibliography alone is 35 pages long) for future advocacy of free markets in all things aqua. In sum, Water Capitalism is a breath of fresh air in the stagnant atmosphere of watered down quasi-defenses of aquacapitalism. Indeed, a beefy appendix is dedicated to smashing the various "free market environmentalists' academic and policy proposals that have preceded Water Capitalism. This section will be of utmost interest to the more scholarly inclined segment of our authors' audience. Nonetheless, an inquisitive reader passionate about a free and prosperous future will find an intellectual adventure well worth setting sail for in this invaluable contribution. (San Francisco of Books) About the Author Walter E. Block is Harold E. Wirth Endowed Chair and professor of economics in the College of Business at Loyola University New Orleans and senior fellow at the Mises Institute. Peter Lothian Nelson is former president of PLN Engineering and a professional engineer.