

The Looting Machine Called Capitalism

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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. In the US, society and the environment have to pick up the tab produced by capitalist activity.

In the past when critics raised the question about external costs, that is, costs that are external to the company although produced by the company's activities, economists answered that it was not really a problem, because those harmed by the activity could be compensated for the damages that they suffered. This statement was intended to reinforce the claim that capitalism served the general welfare. However, the extremely primitive nature of American property rights meant that rarely would those suffering harm be compensated. The apologists for capitalism saved the system in the abstract, but not in reality.

My recent article, "The Destruction of Inlet Beach," made it clear to me that very little, if any, of the real estate development underway would be profitable if the external costs imposed on existing property holders had to be compensated.

<http://www.paulcraigroberts.org/2017/04/17/destruction-inlet-beach/>

Consider just a few examples. When a taller house is constructed in front of one of less height, the Gulf view of the latter is preempted. 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 existing property had to be compensated for the decline in its value?

When a house is built that can sleep 20 or 30 people next to a family's vacation home or residence, the noise and congestion destroys the family's ability to enjoy their own property. If they had to be compensated for their loss, would the hotel, disguised as a "single family dwelling" have been built?



Walton County, Florida, is so unconcerned about these vital issues that it has permitted construction of structures that can accommodate 30 people, but provide only three parking spaces. Where do the rental guests park? How many residents will find themselves blocked in their own driveways or with cars parked on their lawns?

As real estate developers build up congestion, travel times are extended. What formerly was a 5 minute drive from Inlet Beach to Seaside along 30-A can now take 45 minutes during

summer and holidays, possibly longer. Residents and visitors pay the price of the developers' profits in lost time. The road is a two-lane road that cannot be widened. Yet Walton County's planning department took no account of the gridlock that would emerge.

As the state and federal highways serving the area were two lanes, over-development made hurricane evacuation impossible. Florida and US taxpayers had to pay for turning two lane highways into four lane highways in order to provide some semblance of hurricane evacuation. After a decade, the widening of highway 79, which runs North-South is still not completed to its connection to Interstate 10. Luckily, there have been no hurricanes.

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 offshoring the production of goods and services that US corporations, such as Apple and Nike, market to Americans. When production facilities in the US are closed and the jobs are moved to China, for example, the American workers lose their jobs, medical coverage, careers, pension provision, and often their self-respect when they are unable to find comparable employment or any employment. Some fall behind in their mortgage and car payments and lose their homes and cars. The cities, states, and federal governments lose the tax base as personal income and sales taxes decline and as depressed housing and commercial real estate prices in the abandoned communities depress property taxes. Social security and Medicare funding is harmed as payroll tax deposits fall. State and local infrastructure declines. Possibly crime rises. Safety net needs rise, but expenditures are cut as tax revenues decline. Municipal and state workers find their pensions at risk. Education suffers. All of these costs greatly exceed Apple's and Nike's profits from substituting cheaper foreign labor for American labor. Contradicting the neoliberal claims, Apple's and Nike's prices do not drop despite the collapse in labor costs that the corporations experience.

A country that was intelligently governed would not permit this. As the US is so poorly governed, the executives and shareholders of global corporations are greatly enriched because they can impose the costs associated with their profits on external third parties.

The unambiguous fact is that US capitalism is a mechanism for looting the many for the benefit of the few. Neoliberal economics was constructed in order to support this looting. In other words, neoliberal economists are whores just like the Western print and TV media.

Yet, Americans are so insouciant that you will hear those who are being looted 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 fertilizer run-off. Consider the destruction of the Apalachicola, Florida, oyster beds from the restricted river water that feeds the bay due to overdevelopment upstream. Examples such as these are endless. 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 capitalism.

Free market advocates love to ridicule economic planning, and Alan Greenspan and Larry Summers actually said that "markets are self-regulating." There is no sign anywhere of this self-regulation. Instead, there are external costs piled upon external costs. The absence of planning is why over-development has made 30-A dysfunctional, and it is why over-development has made metropolitan areas, such as Atlanta, Georgia, 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 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 costs?

Once the external costs exceed the biosphere's ability to process the waste products associated with external costs, life ends.

We cannot survive an unregulated capitalism with a system of primitive property rights. Ecological economists such as **Herman Daly** understand this, but neoliberal economists are apologists for capitalist looting. In days gone by when mankind's footprint on the planet was light, what Daly calls an "empty world," productive activities did not produce more wastes than the planet could cleanse. But the heavy foot of our time, what Daly calls a "full world," requires extensive regulation. The Trump administration's program of rolling back environmental protection, for example, will multiply external costs. To claim that this will increase economic growth is idiotic. As Daly (and **Michael Hudson**) emphasize, the measure known as Gross Domestic Product (GDP) is so flawed that we do not know whether the increased output costs more to produce than it is worth. GDP is really a measure of what has been looted without reference to the cost of the looting. Environmental deregulation means that capitalists can treat the environment as a garbage dump. The planet can become so toxic that it cannot recover.

In the United States and generally across the Western world, property rights exist only in a narrow, truncated form. A developer can steal your view forever and your solitude for the period his construction requires. If the Japanese can have property rights in views, in quiet which requires noise abatement, and in sun fall on their property, why can't Americans? After all, we are alleged to be the "exceptional people."

But in actual fact, Americans are the least exceptional people in human history. Americans

have no rights at all. We hapless insignificant beings have to accept whatever capitalists and their puppet government impose on us. And we are so stupid we call it “Freedom and Democracy America.”

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