



Episode 548: Privatize the Ocean

Guest: Walter Block

WOODS: Walter, what a pioneer you are. It's ridiculous to think about all the topics that you cover that nobody else touches. So your new book is *Water Capitalism*, and it involves the case — I gave the whole subtitle to the audience a moment ago — but we're talking about privatizing bodies of water. Now, this is something that is going to strike people as just crazy and out of bounds, and yet for me it never did, and not just because I'm a libertarian, but my view is what's the difference. Just because something is wet, that means people can't own it? What's the difference? If you can homestead dry things, why can't you homestead wet things? It doesn't seem like there should be any big deal here, but I'm an unusual person.

Let's start off with the obvious question, which would be — and this is actually one of your chapter titles — why bother, basically. Why privatize bodies of water? Aren't they being adequately managed now? Forgetting about the justice of the whole thing, aren't they being pretty well taken care of now?

BLOCK: Sure, the government is doing a great job, Tom (laughing).

WOODS: (laughing)

BLOCK: No, there are several reasons. One, perhaps the most important, is to show the depths and breadths of libertarianism, that we believe in private property, and government property or the tragedy of the commons is a problem, and we just have one more way of demonstrating this. This book is actually a part of a trilogy of mine. The first one was why we should privatize highways, streets, and roads. The second one is this, why we should privatize oceans, rivers, lakes, and aquifers. And the third one that I'm now working on is why we should privatize space, space exploration, the moon, Mars, asteroids, things like that.

So one reason is to promote liberty. Another reason I think is maybe economic. Right now the oceans comprise, oh, 75% of the Earth's surface and land 25%, and I've been trying to get some good data on what the GDP that emanates from each of them is, and my best guestimate is 1% from the water and 99% from the land, and yet the water is 75%. So there's a gigantic disparity between the two. And third is, you know, problems like oil spills — Exxon Valdez, for example — or running out of fish stocks,

things like that. So those are three reasons, I suppose, for wanting to move on to privatizing oceans, rivers, lakes, whatever.

And the point that you made before, you know, just because it's wet we shouldn't privatize it, I think is absolutely crucial and very insightful, and my view is that water is just fast-moving land, and land is just slow-moving water. Namely, there's a continuum, because look, sometimes the water is in the form of ice, and ice is just roughly as solid as land, and sometimes land moves also. We have mudslides; we have land slides; we have, I don't know, silt moving from here to there. So there's a continuum between land and water, and it's true that we can make a distinction. We use different words toward them, but still, there's a continuum, and what's good for the one, at least we should explore whether it's good for the other. We shouldn't reject it and say, well, because it's wet we can't privatize it. That's crazy.

WOODS: Tell me a little bit about your coauthor, because my understanding as I recall at the beginning of this project is that you brought him on because he had some expertise in some of the technical questions related to water that you might not know about.

BLOCK: Yes, it's a very interesting issue. I wanted — well, I did the road privatization, roads, streets, and highways, and then I wanted to get on to the water. Then I started running into all sorts of problems, like water pressure and currents and things like that that a Jewish boy from Brooklyn would have no business knowing about. So I took out — I don't think an ad, but I wrote somewhere, maybe on the Lew Rockwell blog — I forget where it was, probably there — and I said, look, I'm now contemplating writing a book on privatizing oceans, and I need a Rothbardian anarchocapitalist. That's a requirement, because, you know, who can coauthor a book with somebody who's not a Rothbardian anarchocapitalist?

And then I said here's a problem — there was some sort of problem, and it's in one of the chapters now, some lake in Florida, they were having problems with it. And I knew the right answer — namely, privatize — but for the life of me I really couldn't fill in the details. So I said, look, please write me an article, and I'll pick the one that is the most conducive to me or the one where I have the most in common with the author, and four or five people wrote essays on this. And I picked the one written by Peter Nelson, my coauthor, and I said, look, this is a very low risk thing, because there's an interesting question about this lake in Florida, and if I don't pick you, you know, you're free to publish it somewhere else. So you're not going to lose much by writing it for me, and the winner will get to be my coauthor, and we'll go on from there. And Peter Nelson wrote a brilliant essay on this, and I chose him, and I've never regretted it. And indeed, he's an engineer of liquids, which is very important, and he's the one who I'm now coauthoring the next book in the series on space, privatizing the moon, Mars, asteroids, and stuff like that.

WOODS: I think I just saw an item — you must have seen it as well with Wenzel's site about how it's considered legal to own an asteroid. Did you happen to see that item?

BLOCK: Yes, thank goodness for our president, although I sort of have misgivings about that. The most recent thing is that Obama wrote that if you go to an asteroid and you hose that in, you privatize it, you get to own it. And previously the law was space will forever be in the commons, meaning no one can ever own anything privately, only governments presumably. And on the one hand, this is obviously good, because we libertarians favor privatization and homesteading. On the other hand, it sort of seems a little bit problematic, because who the hell is he to be making rules about what goes on in space? He's only the president of the United States, and the last I knew, the United States is on Earth. It's got nothing to do with the moon or Mars or asteroids or anything like that, so why the temerity on his part? But you know, given that he has the temerity, I'm glad he came out on that side, because he could have come out on the other side. So I sort of welcome it, but I'm a little ambivalent about it.

WOODS: Well, I had a feeling — you know, I knew the one silver lining to his election was I had a feeling he was sound on the asteroid question.

BLOCK: (laughing)

WOODS: Totally vindicated on this, as it turns out. All right, let's stick to water, though. Let's start easy. Let's talk about a lake, because with rivers you've got moving water, and with the ocean, well, it's the ocean. So let's talk about a lake. How does private ownership of a lake — what does that look like? Are there examples of private ownership of lake, as far as you know?

BLOCK: Yes, there are very small, little lakes, about an acre or two, are privately owned, but don't say that they don't move, because if it doesn't move it's totally stagnant, although some lakes are like that.

WOODS: Right, but I'm thinking about the usual downstream problem, that I pollute upstream and it floats downstream in the river on somebody else's property. I want to get to that later. But in dealing with a lake, what would a private owner do with a lake? What would it look like?

BLOCK: Well, the private owner, let's say there's one guy who owns the lake, and let's say he owns all the land around it so it's simple. And what he could do is sell plots around the lake, and you could build a house, and now you have a right to get on the lake, sort of like a condominium. If you purchase a condominium house, you would have access to the common grounds, you know, the swimming pool, to mention something that's liquid. So just think of this lake as like a big swimming pool. Or you could use it for different purposes. You could use it for fishing, and you could charge fishermen a price to go and fish or people for boating.

He could even use it, God forbid, as a dumpsite. I mean, not all lakes or all have to be pristine. We have to dump garbage somewhere, and maybe we should dump garbage in the lake. And assuming that there's no downstream or upstream issues for the moment, he could use it as a garbage dump, and he would if the price were such that

he could make more profits that way, assuming he was just interested in monetary profits and not aesthetic psychic income.

WOODS: So in other words, it would just be a question of just figuring out what the highest value productive use of the lake would be. Maybe it would be opening it to the public for swimming or fishing. Maybe it would be using it for more mundane purposes that you mentioned, but it would be a question of the way we allocate any other resource in the world.

BLOCK: Precisely. You know, there's always — you see, if the lake is publicly owned, then you have conflicts, because if you have motor boats and swimming, it's a little incompatible, because the motor boat might knock a swimmer on the head or something like that, and what he could say is in this section of the lake you can have motor boats but over here you can only have swimming or whatever. In other words, there are always alternative uses on all scarce resources, and the owner would be just like the owner of a patch of land.

Look, suppose instead of one square-mile of lake, it was one square-mile of land. Well, he could put corn in there; he could build houses; he could put a dumpsite in; he could put residential housing; he could put a high rise on the land. Well, it would be really similar, and what the — I won't say the essence of this book, but one of the aspects of the book is to look upon water as the way we look upon land a little bit more. Namely, we can privatize land, so let's think of privatizing water.

WOODS: Let's go to what in my view is the next most difficult question, would be the case of a river. Are you envisioning the private ownership of an entire river or portions of the river? And if it's portions of the river, how do you deal with stuff flowing into your portion of the river? And what would you do with a portion?

BLOCK: Well, the way I see it — and we did have one chapter where my coauthor and I had a little bit of a debate whether it should be — just how should the river be owned. My view would be the Mississippi River would be a unit. Murray Rothbard, in his excellent, magnificent article on air pollution, talked about the technological unit. And you have to have a technological unit. You can't just own a sliver of the river; it gets too complicated.

And the way I see it is the Mississippi River would now be owned by the Mississippi River Corporation, and the Mississippi River Corporation would be owned by the people who homesteaded it. And we can assume that people who have land contiguous to the river used it and maybe those owners with boats that were going up and down the river would get to own it. So the way I see it, the Mississippi River Corporation now has, oh, 100,000 shares, one for each of the owners of it, and the owners elect a board of directors of the corporation, and then they decide on how it works. And they're probably not going to allow people in Minnesota to start polluting it so that when it gets down to where I am in New Orleans it's filthy and unusable, because there would be one, contiguous unit.

One of the motivations for that was what happened with Katrina. What happened with Katrina — by the way, Katrina missed New Orleans by about 50 miles. It really hit Mississippi. The reason that New Orleans, which is a little bit below sea level, got inundated is because the Army Corps of Engineers had those levies, and those levies failed. And as a humanist, this is horrible, because 1,900 people died. As an economist, what really rankles is that these people are still in business, whereas if McDonald's poisons people, well, Burger King will take over and Wendy's will take over, and there'll be no more McDonald's. But here, in effect the owners of the river, the Army Corps of Engineers or the government, just go on blithely owning it, and life goes on — or I should say death goes on as it was before.

So the idea is that the Mississippi River Corporation would do a better job, because if they do a poor job, they'll lose profits and they'll be purchased and bought out by some other board of directors, and it'll be run like any other private corporation.

WOODS: I think people hear private corporation, and they think pollution and greed and short-term thinking. But it's not corporations that think that way; that's the incentive structure they operate in when the state owns everything.

BLOCK: Absolutely.

WOODS: So yeah, they have an incentive to engage in those things. But they hear corporation, and they're going to think that in your system it's just going to be Coke cans all over the river.

BLOCK: (laughing) Well, if that's the way to maximize profits, then yes, but the likelihood of that occurring, you know, these Coke cans getting into the ships' propellers, I don't think that that would be the way that it would be run. And this idea of greed and capitalism and corporations, well, you know, it need not be corporation if you hate the corporate form; it could be a big partnership. But presumably it would be a corporation, a limited-liability corporation, which is a whole other issue. Although it's — just creatures of the state are not — and I don't think so; I think corporation is one legitimate way to run things.

Another problem, when people hear private enterprise, is not only greed and capitalism, but they say what about the poor. You know, the poor would now have to pay for something that they get for free. And this would be a criticism again, not just of a water corporation, but any corporation. We now name the highways, call them freeways, and we think that we get them for free? We should really call them "taxways," because people pay for them. And the question about the poor is, you know, where are the poor better off? Are the poor better off in a largely capitalist society which is very wealthy, or are they better off in, I don't know, Cuba or Venezuela or North Korea, where the government owns everything and the people don't have to pay any money for anything, everything is free, and we all starve happily ever after.

So I don't think that any of these objections are any more valid for land or water. I think it's the same thing. We're on the same level. If you object to land ownership or water ownership, it's the same thing. And we've got a whole wealth of literature, we libertarians and Austrian economists, saying that private enterprise runs better on the land. And what I'm trying to do is just extrapolate and say that it applies to water too.

WOODS: I am going to put on the show notes page, in addition to your book, at TomWoods.com/548, I'm also going to put a link to an episode I did on the corporation and what libertarians should think about it, because I agree with you on it. I used to be wrong on that, and I later changed my mind. Let's say, no matter what the body of water is, who owns the fish? Who owns the stuff in it, and how does that come about? If I'm on the river – maybe it's a small river. It's not owned by the Mississippi River Corporation. It's a small river somewhere, and I own from here to there or whatever. Do I own the fish that are passing through it at a given moment? How does that work?

BLOCK: Well, we do have this group called PERC, Political Economy Resource Center, in Montana, and they're into a thing called ITQs, tradable quantities for fish. In other words, people would have a right to capture a ton of fish. There are really three levels. One is fishing seasons. See, if you have the tragedy of the commons and nobody owns the fish, then everyone is going to get all the fish they can, and then there will be no new baby fish, and the fish will become endangered and will become extinct. So how do we deal with that? Well, our friends on the Left, the left-wing environmentalists say, well, let's have fishing seasons or let's have limitations on the net size or what size whole you can have in the net, or you have to throw fish back if they're less than a foot long or whatever. That would be command and control.

Moving on toward the market but not quite getting at the market would be a thing like ITQ or TURF, which are just acronyms for various quasi, semi, demi-market situations to deal with the fish. Namely, we'd have a bidding for the right to capture a certain amount of fish, and this would be the equivalent of in education – what do you call it? When you don't have private education, but you have vouchers.

WOODS: Oh, vouchers.

BLOCK: School vouchers. So that would be the equivalent, sort of a Chicago-esque way of dealing with the problem. And I think it's an improvement over the command and control of the left-wing environmentalists, just as the Chicago school might be an improvement over the mainstream in some ways.

The Austrians are an improvement on that, and I think the Rothbardian libertarian homesteading people can do a little bit better than the ITQ. And here the idea is right now we have fish freedom. Fish just go wherever they want. Why don't we have electronic fences? You know, it used to be with cows before we had barbed wire that they would brand them. You know, you brand the cow. Well, we now have the technology to brand whales. You shoot some sort of an electronic device into the whale, and that's your whale. And yes, you can have poaching, but you had cattle rustling too.

One of the motivations to me was this Star Trek episode, and I forget which one, but our boys, the heroes of Star Trek were in, I don't know, the 23rd century, and the people in the 27th century — I'm not sure I got the centuries right — came back to the 23rd century and were blowing it up. Why? Because there were no more whales, and the people in the 27th century loved whales. So our boys, James Kirk and the guy with the funny-looking ears had to come back to the 20th century to get some whales to bring them back to the 23rd century.

So why is it that whales are going extinct or are endangered? Again, because of the tragedy of the commons. If you don't own it, you tend to overuse it or use the resource too quickly. So one way is to have these ITQs or school voucher equivalents for whales. Another way is to own the whales. Look, if you own 1,000 square-miles of ocean, and you put electronic fences around there, then we move from hunting and gather stages, which we were once on land and we are now on water, to farming or cattle raising. Only look, those whales are just cattle with funny-looking fins and they don't have horns, but from the economist's point of view, we would treat the whales just as we treat cattle, and the cattle never went within a million miles of extinction, whereas the buffalo, which were not owned, almost went extinct. Well, let's cow-ize the whales. Right now they're buffalo whales, and we want to convert them to cow-type whales; namely, private ownership.

You might say, well, what do you mean electronic fences? We don't have electronic fences. We can't corral whales. And the answer is we have the technology to do it. If we can get to the moon, which is a whole other issue, we can certainly get a bunch of whales and porpoises and other guys like that and fish to go where we want them. So I mean, we do have fish farms. There was this interesting case. Who as the bet — Julian Simon against Paul Ehrlich, and they had a bet, are we running out of resources, and our guy Julian Simon won, whereupon Ehrlich said okay, I'll have you another bet: within 10 years or 20 years or whatever, the fish are going to go extinct or become more scarce and higher prices. And Julian Simon said okay, I'll bet you, but we're not just counting ocean fish, we're counting farmed fish. And then the other guy, Paul Ehrlich, wisely declined to have the bet.

In other words, fish in the wild, 1% of them or very few of them survive, whereas farmed fish, 99% of them survive. So all I'm saying is let's have farmed fish in the ocean. Let's have electronic fences, and the whales just can't go where they want to go. They go where we want them to go, and that way you have your whales, I have my whales, and my whales stay on my property, and yours stay on your property, because we've got these electronic things in them; when they get to the electronic fence they just can't go where they want to go. And so what I'm trying to do is barnyard-ize, if I can use that expression, the fish and the whales, so that we don't have the problem of Star Trek where all the whales go away, and people from the future are going to kick our butts.

WOODS: All right, there's a lot more water stuff to talk about. Let's talk more about how ocean privatization could work, because I think that is the toughest for people to see. I think — well, in addition to the technological issue, which I think you could deal

with with the electronic fence thing, I think there are these — again, the presumption is that the private sector just wants to pollute. But it wants to pollute, because there is no private property. But if there is private property, the incentives of course would be different. But I think people would imagine a dystopian situation in which some corporation would own the Atlantic Ocean, and their thinking I think is that they would then impose all kinds of arbitrary restrictions on people's free use of the Atlantic Ocean. Are you able to deal with some of these wild acts of speculation?

BLOCK: Oh yes, yes, we've got a chapter on that very issue. There are several complications. First of all, the pollution, I recommend Murray Rothbard's essay, which appeared first in the *Cato Journal* in 1982, called "Air Pollution." The way we libertarians see air pollution or water pollution or smell pollution or noise pollution is as a trespass, and the first guy that homesteads the stuff, whatever the benefit is, is the owner of it. So I don't think we really have to worry about pollution, because pollution is a trespass, and if we had legitimate law, a guy who trespasses somebody else's property would be made to paid damages and would be given an injunction via a letter from the court saying if you keep doing that we're putting your butt in jail.

Okay, so that's the pollution issue, and I think that we have solved the pollution issue certainly in the air and in noise and in smells and things like that, and we do go into that on water, and there's no real difference in principle. But now let's talk about, apart from the pollution, how would you conceptually think of privatizing the Atlantic Ocean or the Pacific Ocean. Well, you get into one complication, and that is you can't have privatization for non-scarce goods, and the question is is the Atlantic Ocean yet scarce. And the answer to that problem is sort of complicated. I guess the right answer would be yes and no.

Let me use an analogy: airplanes. Right now, when airplanes fly, they have to be like 10,000 feet from each other, so if you're going north, you're at, I don't know, 5,000, and if you're going south, you're at 6,000 feet and 7,000 feet. And if there's scarcity there, well, it's sort of getting a little scarcer, because we get more and more airplanes, and the airplanes not only have to be a distant height from each other but also a distant length from each other; namely, you can't have one airplane fall on another one 10 feet behind. You have to be a mile or two or three behind. So we are now running into that problem of whether the air paths are scarce or not, and right now we're sort of in a gray area. They're sort of semi-scarce, but in the future, presumably they will be.

Now with regard to the oceans, I think there's more room in the oceans than there is in the air, especially over in places in Europe or the United States. So when we talk about privatizing the Atlantic or the Pacific, well, there are a lot of complications. One is is it scarce or not. And you might make the case that right now it is not scarce, and therefore we can't privatize it, which is reasonable. But the point is that more and more boats go around the ocean, you're going to have congestion, and if you have congestion with boats, they'll hit each other and that will be a very bad thing.

Another issue is you have really four aspects of the ocean. The first is on the top where the boats go. The second is where the water itself or the, what do you call it, where the submarines go or where the fish go. The third is right under the ocean is land, and on top of the land at the bottom of the ocean are manganese and what nodules and other resources. And the fourth aspect of the ocean is underneath the land; namely, oil. And how do you work that? So it is a little bit more complicated, although we do have analogies on the land, because on land you can have a farmer who puts in some crops, or there's oil underneath and you have slant drilling or you're allowed to drill under somebody else's land, so there are analogous problems there.

So to answer your question a little more succinctly, the privatization of the oceans is not something that my coauthor and I say we must have right now, because there is a case to be made that it is not yet scarce. But in 10, 20, 50, 100 years, whatever, if we have more and more people and we have more and more boats, and now the paths in the ocean on the top of the ocean become scarce, well then, you have to have some way of deciding who gets to use the paths from, I don't know, Paris to New York, the great circle route from Paris to New York or the way the boat would go. If you have too many boats, you have to decide who's going to do it.

Well, one way to decide is non-ownership, and then you have crashes; another way is government, and I don't know who's going to be the rightful owner of that. Maybe the UN, and we'll have some one-world government. No, I think that the least bad or the best way to determine is who owns the ocean. And the owners of the ocean might be — that is, the ocean paths for these ships — might be the Cunard Line or these other major shipping groups. Look, we have an analogy. Do you know how we got standard gauge in railroads?

WOODS: No.

BLOCK: It wasn't the government; it was a bunch of railroad companies who got together and said, hey look, it's silly, you have tracks that are six-feet-wide; I have tracks that are five-feet-wide; this guy's got tracks that are four-feet-wide, and whenever we connect, we have to load and unload. So they came up with standard gauge. The railroad companies also came up with timezones. You and I were just talking before we got on the air, you know, are you Central Time, are you east coast time, are you west coast time? Well, who came up with that? Private railroad companies.

Well, if the various shipping lines that use the ocean say, look, we together have homesteaded these paths and we together are the owners of it, and there are, let's say, 50 of us, and we 50 now have a corporation or a partnership or whatever form that you want to have ownership over, and here's how we're going to decide as to who has a right to use these lines, because, you know, the big boats have to be a mile away or five miles away from each other so they don't crash into each other. So again, every problem that we face on the ocean or the river or the lake, there's an analogue on the land, and what we're trying to do is extrapolate from the land to the ocean and say that here are possible ways that the market can solve these problems.

WOODS: All right, before I let you go, I want you to explain if you would the concept of aquaculture. I don't quite get it, but is the idea that this would be — I mean, I think I have a sense of what it is, but it would be encouraged if we had private property rights.

BLOCK: Well, agriculture — not aquaculture — agriculture is just planting stuff on the land, and some of the stuff we plant would be flora, namely plants, and some of them would be fauna, namely cattle or sheep or what have you, and aquaculture would be very similar, only instead of on the land, it would be on the water. One of the biggest problems we have in the book is the salmon, because the salmon are weird creatures; you now, like they start off in some little stupid lake up in the middle of I don't know where, Alaska somewhere, and then they go down some river, and then they go down to the ocean, and to spawn they have to come back. I mean, they have no decency, these salmon. They're not libertarians. They should confine — I'm just kidding of course here. But these are some of the challenges that we face in the book, and aquaculture would be just agriculture on the water.

WOODS: Well, I'm going to recommend your book of course to listeners. I don't think you're going to find another book on water body privatization. I think I can say that with a degree of confidence. But this book that Walter Block and his coauthor have just released, *Water Capitalism: The Case for Privatizing Oceans, Rivers, Lakes, and Aquifers*, is the place to go, and you're going to get a lot of very important food for thought. So Walter, all I can say is I can't wait for that book on outer space. And when I told Heather about it the other day, her response was — and it just shows how long she's hung around with me — she said, well, how could you homestead anything in outer space?

BLOCK: (laughing)

WOODS: (laughing) Okay, all right. But I think the idea is if you did get out in outer space and you homesteaded, you should be able to have title to it. Is that what you would be saying?

BLOCK: Absolutely yes. The moon, we have an analogy here with the water, with the roads, with the moon. Suppose somebody lands on Mars. Does he get to own all of Mars or a little bit of Mars, how much of Mars? And now we get to apply homesteading theory, which we've applied again thanks to Murray Rothbard and Hans Hoppe and John Locke — I suppose I should include John Lock in homesteading theory — and we just apply it to areas that we haven't applied it to before. So one of my interests is applying libertarian theory to areas where it hasn't been applied to, and again, one reason is to promote libertarian theory and another is the practical, because private property and free enterprise are the last best hopes for humanity, and that applies everywhere.

WOODS: Well, excellent. The thing is that everybody else is doing valuable work too, but there are so few people who are out there looking at the areas where we've been incomplete, where there have been oversights, where there are things where people,

in theory we say yeah, that should probably be privatized, but nobody wants to figure out how it would be done. And you're figuring out how it would be done. So how many peer-reviewed articles are you at right now, not counting ones that are out for review?

BLOCK: Oh, I'm almost at 500. I've got like 492 or something like that. It changes every day, so I don't have the exact number, but I'm approaching 500.

WOODS: Well listen, are you going to — are you keeping track enough so that when you actually hit 500 you'll know instantly? Or is it like three months later you'll be going through your file saying, oh my goodness, I'm at 507

BLOCK: No, no, no, I keep track (laughing). I number my articles.

WOODS: All right, listen, when you get to 500, I want to have you on for a special 500 article celebration.

BLOCK: Oh, you're very kind, Tom, and I look forward to when our paths next cross, whether electronically or, better yet, personally.

WOODS: Absolutely, as do I, and I look forward to the 500 article episode. I will read all 500 articles in advance of that — actually, that's probably not quite true, but I'll read some; I'll read some (laughing). All right, thanks again, Walter.

BLOCK: Thank you for having me on your show. It's always a pleasure.