

Downside UP

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Free Markets, Mexico, and a Vision of Ourselves

"The problem with you is that you don't believe in markets," a friend of mine has remarked dismissively. By markets, he means "free markets." The problem with him, I would say, is that he doesn't really listen to what I am saying, preferring to peg me into a stereotype of what liberals like me supposedly think.

Actually, I love free markets. I just don't think there are many. There are markets all around us. There is a kind of market for everything, from beer and computers to love and happiness, even water and air. But most markets are heavily constrained or not as free as they appear.

At the end of January, my wife and I, and one of our daughters and her family, visited Puerto Vallarta, Mexico. We had a great time. It is a spectacularly beautiful place with lots to do for people of all ages and many interests. But amidst the adventure, a lot of which is described below, the experience caused me to think about the idea of markets, how they are supposed to work, and how they do work. It left me with some concerns about how both free markets and controlled markets can lead to problems when we don't pay attention to what is actually happening, what entity is exercising control, and the results.

I found myself wondering if Mexico does not represent something of a vision of where our obsessive and often blind devotion to allegedly free markets is taking us. I wondered if the United States is not headed backwards towards a society in which the idea of freedom is a facade to cover up a reality of ever greater inequality and lack of freedom.

Pure Free Market Capitalism

There is really no such thing as absolutely pure free market capitalism. But there is a concept whose characteristics offer a valuable guide to the degree of freedom. These include:

1. **Price Determined by Market:** Neither the buyer nor the seller is in a position to affect or control the price of the product she or he is buying or selling; if you charge too much, you sell nothing; if you take the market price, you sell it all. Adam Smith, the original free market theorist of our world, described this process as like an "invisible hand" determining price based on supply and demand. The classic free market example is the small farmer who, along with hundreds of thousands of other small farmers, plants more wheat or corn based on 2005's world market price only to discover that since so many other farmers are doing the same thing, the price has plummeted by the time of the 2006 harvest.

This uncertainty and risk, along with the kind of political clout which farmers wield in the United States, France, or Japan, has made agriculture also a classic example of a place where governments, as well as large buyers and sellers, intervene to distort and control market prices. In the United States, a heavily lobbied Congress now spends upwards of \$20 billion a year to subsidize crops like wheat and corn, primarily to the benefit of the largest producers. Western Europe and Japan do variations on the same theme. Small farmers fight back with cooperatives which helped once but have less effect today. In breakfast cereals, two or three manufacturers dominate both the buying of the raw product from farmers and the selling of the finished product to consumers. Ethanol from corn, touted as a “renewable resource” to cut our dependence on oil, takes more energy to make than is created, and only masquerades as an energy program. Like the school lunch program, the real reason it exists is to subsidize agriculture, in this case, especially giant agribusinesses like Archer, Daniels, Midland (ADM).

2. Identical Products: The products themselves are the same or readily comparable. This comes closest to reality also in agriculture where oranges and wheat are essentially the same or some agency, usually the government itself, intervenes to grade the product so that that each grade is the same. Grading itself is a modification of the free market to deal with the reality that few products from different producers really are the same and most buyers don’t know the difference or it would be terribly inefficient for each buyer, him or herself, to examine all the product. Even where grading takes place, it has little to do with the everyday experience of most consumers who are clueless when it comes to comparing one pineapple to another to say nothing of one television set to another.

The classic identical products are things like water, telephone, gas, electricity, roads, trash pick-up, and cable TV. In most cases, the inefficiencies of competition -- two companies laying electrical lines down the same street – are so outlandish that government has stepped in to create “public utilities,” some privately owned but regulated, some publicly owned. Cable TV is the most notorious example of a privately owned but unregulated identical product. Except in a few high density urban locations where laying two lines is conceivable, it is a *de facto* monopoly. Cable companies’ abuse of their unregulated government monopolies has made them even more hated than telephone companies with their weakly regulated government monopolies.¹

3. Easy Market Entry: A major deviation from the market ideal in modern industrial society is the lack of easy entry into a market. It just requires too much investment at too great a risk. South Korea’s entry into the world auto market required the commitment of oligopolized choebols like Hyundai.² Up to a point, a corner grocery is a kind of monopoly that can compete with Wal-Mart because convenience sometimes trumps price. For decades now, more “start-up” airlines have failed than succeeded because the big carriers have used their profits from less competitive

¹ In each case, the companies assume the mantle of “free markets” and claim they should be unregulated. Then they claim they should not have to let service competitors use their lines at wholesale prices because they paid for the lines. But they ignore the fact that they were able to lay the lines and make a profit only because state-granted monopolies and regulation guaranteed their profits.

² The giant cross-industry conglomerates which dominate the South Korean economy are called choebols. Oligopoly refers to rule by a few. Few industries are actually controlled by one company and are thus not technically monopolies although they are often referred to as such.

markets -- e.g. Boston to Seattle -- to subsidize their runs paralleling a start-up's runs from, say, Seattle to San Francisco.³

4. Full Knowledge of the Product: All of which leads to the multi-faceted phenomena of consumer education, regulation, and advertisement. In order to have a truly free market, buyers must have full knowledge of the product and, where the products of different sellers are different, know the differences among them. In a time gone by, a person buying a cabinet would know a good one from a less good one. Today, most buyers buy in ignorance and price loses its relationship to value or quality – what the market is supposed to balance out. Advertising only exacerbates ignorance.

Just as I love free markets, I love Consumer Reports, the hallowed publication of Consumers Union (CU). CU exists to make real the free market need for consumer knowledge of the products consumers must buy. Far from the *bête noire* of capitalism, it is a quintessential emblem of capitalism and the ideal of free markets. It accepts no advertisements under any circumstances and has fought and, ultimately, won every suit any manufacturer has ever brought for libel and defamation.

Nonetheless, CU cannot do it all, even with over five million paid subscribers. Here too, the government has stepped in to try and make markets work the way they are supposed to work. In a very limited way, it tests products for safety and, in the case of drugs, for some degree of effectiveness. The Consumer Product Safety Commission tests toys and pajamas, and in extreme cases can get dangerous products off the market. The Highway Transportation Safety Commission crash tests automobiles and measures – very imperfectly – gasoline mileage.⁴ The Agricultural Department checks meat. The Food and Drug Administration (FDA) evaluates a few foods and all prescription drugs. Unfortunately, all these agencies waffle back and forth between consumer welfare and industry lobbying.

The most serious “inefficiency” in knowledge of the market is advertising. Advertising permeates our society, is barely regulated by the Federal Trade Commission, and is clearly intended not to inform and explain but deceive and seduce. Economic theory would have it that advertising provides the information consumers lack in making intelligent decisions about the products they are considering for purchase. I don't think any rational US consumer could consider that concept anything but a joke. Bell South is infamous with me for mailings with fine print so small that I must literally get out my magnifying glass to read the footnote about “HIGH SPEED DSL INTERNET SERVICE FOR JUST \$15.95 A MONTH”⁵ Just try to read or listen to the disclaimers on television from “Big Pharma” for their latest

³ Profits from elsewhere in their systems enable the big carriers to fly the start-ups' runs at a loss. To drive the start-ups out of business, the big carriers even add on more runs than they had before. Then, after the start-up is gone, the big carriers will cut back on their runs and raise their prices even above what they were before.

⁴ For over 20 years, automobile manufacturers have strongly resisted Environmental Protection Agency improvements in the methodology used to measure gasoline mileage. Tests are still conducted “under limited highway (not city) conditions, without passengers, and without ever turning on the air-conditioning” with cars which have been hyper-tuned by the manufacturer for the tests. (AAA Going Places, March/April, 2006) As the industry responds to high gasoline prices with a flurry of ads touting mileage, consumers are finding out how deceptive the claims are, including those for hybrid vehicles. Consumer Reports uses real world driving to measure mileage and the EPA should do the same.

⁵ For the first three months.

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miracle drugs – which are more typically spin-offs of already established drugs whose patents are running out.⁶ As for “erectile dysfunction” drugs (Viagra), they aren’t the only ones that play to our sexual dysfunctions: how about beer, automobiles, and shampoo?

Regulation as a Business Asset

It should not be assumed that industries uniformly oppose all regulation. When the government establishes a level playing field, all compete equally and that helps prevent the really bad guys from taking advantage of those who want to be sort of good guys. Drug regulation gives consumers confidence enough to buy products of which they have no understanding. Crooked insurance companies and dishonest lenders undermine confidence in the entire insurance and banking industries.

Patent and copyright laws underpin modern capitalism. By giving inventors, film-makers, and software developers monopolies of their creations for a certain number of years, patents and copyrights encourage innovation and promote economic growth. Because they are so fundamental to our economy and thereby assumed to be “normal,” we forget that they too are forms of government regulation which intervene in the economy.

When Corporate America complains about too much government regulation, it means too much regulation protecting consumers and workers. Every industry will join together to minimize or block what they regard as too much regulation. The food supplement industry has blocked all regulation, leaving it free to make unsubstantiated claims and even sell pills that don’t have the amount of ingredient the bottle says. The FDA is excoriated one day by the drug industry for the slow pace of drug approval and, after a VIOXX incident, is excoriated in turn by Congressional blowhards for not protecting the public – when it was Congress which weakened the laws in the first place. Without bankruptcy laws, the only alternatives for dealing with unpaid debt would be debtor’s prison and debt forgiveness. Bankruptcy laws balance the interests of creditors and debtors. When the Republicans last April passed a new bankruptcy bill tilting the balance more towards creditors, it fulfilled a decades-long objective at the top of Corporate America’s agenda but no one was ever talking about abolishing or even reducing government regulation, only altering it.

Free Market Examples: Small farmers experience their sales as subject to a price out of their control even though agribusinesses exercise substantial control over price in collusion with the governments they lobby. Although improved safety has generally required government intervention, the auto industry is about as competitive as one could ask for at the retail level. There, over the last two or three decades, quality has soared even as price increases have remained below the general inflation rate and quality increased. Wal-Mart still has enough competition to keep prices low at the retail level though labor, communities, and suppliers suffer from Wal-Mart’s market power. I take the home improvement market as quite competitive at the retail level with Home Depot, Lowe’s, regional chains, and even local hardware stores still surviving as service and convenience compete against pure price.

⁶ Spin-off drugs are small variations in major drugs for which the most expensive research and testing has already been done. When the patent protection enabling manufacturers to monopolize sales is running out, they create and patent spin-offs, sell them to the public, and reap major new profits at very little cost.

Mexico Wide Open

If you really like free markets, Mexico comes just about as close as it gets to heaven. Want a ride to your hotel? How about a luxury condo? Drugs? A little silver off the beach? Whale-watching? Some tennis? A bus ride? Breathe the air? It's all wide open with pretty much no one telling anybody what they can or cannot do. Just masses of small entrepreneurs trying to make a buck (or peso). It is Cato Institute heaven as far as I can see.⁷

Free Ride to Your Hotel

Getting through immigration and customs was a snap. No messing with serious inspections. No fees to pay. Thank you, Mexico; you get us tourists through customs and out the door with a welcome sigh of relief.

Into chaos: right outside the exit door is a swarm of men all shouting to you in ever-improving but still imperfect English. "Can I help you?" "Can I give you a ride to your hotel?" "Where do you want to go?" "Want to buy a condo?" You, the visitor, want a nice, organized line-up for a taxi with a lovely little meter telling you exactly what you owe, even a nice publicly posted list telling you in advance what the ride is going to cost. What you get may, at worst, be someone grabbing your bag out of your hand and leading you to who knows where. At best, you get pandemonium.

In fact, at the end of the building in Puerto Vallarta, there is a taxi stand where you can buy a fairly expensive (relative to city taxis) but thoroughly reliable ride in a government-regulated large SUV which will take you and your luggage directly and easily to your hotel for a set fee. None of this, however, for my true-believing free market friends who I know would be rejoicing at the opportunity to practice what they preach. Noble souls, they will negotiate on the spot a good price for a ride to their hotel or, if they are really diligent, lug their baggage outside the airport to catch a ride with a city taxi. After all, this is the free market: for a 15-minute walk, you get a \$10 savings -- if you know what you are doing!.

Of course, if you just happen not to know what you are doing, you could have other experiences. You could be taken to another hotel where you either take a room there or get another taxi to where you want to go – a place you passed 20 miles back. Or you walk to the taxi stand outside the airport and all the taxis offer you the same inflated price (a local monopoly!), above what you could have gotten at the taxi stand. Or, Puerto Vallarta's favorite, you could be taken to a time-share condominium where you get your luggage after you have listened to a four-hour sales pitch – excuse me, presentation.

Condomania

Puerto Vallarta's real estate market is booming and it is wide open. There are none of those burdensome government regulations interfering with the market and keeping you from getting the deal of a lifetime. No guaranteed waiting periods. No seven-day cost-free cancellations. No licensing of sellers. No overdone building regulations. No penalties for promising without delivering. No owner boards controlling the monthly fee: Just four or five hours of bullying while you wait for your "reward" for coming.

⁷ The Cato Institute is one of the many organizations of the intellectual right that have underpinned the so-called "conservative" takeover of American politics over the last 40 years. The Hoover Institute and the American Enterprise Institute are two others.

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If you didn't get the opportunity to buy your condo unit when you arrived at the airport, don't worry. You will have plenty of other opportunities. All you have to do is walk along the *malecon* by the bay in downtown PV. Perhaps you are looking for a trip to Yelapa or want to go whale-watching. "I have a deal for you." "How much do you want to pay?" Hey, you're good at this. You've heard the price for the trip to Yelapa was \$65 and this guy is going to charge you only \$35. Even better, he is going to throw in a bottle of Kahlua and pay you P1000 (\$100). "This is not a gift; it is compensation for taking time from your valuable vacation." These guys really speak English quite well: they must be honest. All you have to do is attend a 90-minute presentation at the Maya Palace. "We'll even pay for your taxi to the site [Boy, could you have used that when you arrived!]." "Why would I possibly want to cheat you." "All you have to do is put down \$10 now as a promise that you will come tomorrow morning."

If you go, you will find the Maya Palace truly beautiful. What you won't find are any guarantees about governance, security, insurance, developer financing, maintenance fees, or actual delivery on all those promised amenities. What you will find is a "presentation" that runs four or five hours. What you will do is wait, or go home on your own, paying the taxi and not receiving the gifts which you have already earned by "taking time from your valuable vacation." Probably, you will stick it out to the bitter end. Maybe you will even be stupid enough to buy and regret it for the next 40 years. It's bad enough in Florida where thousands of people find their regretted condos can't be sold at any price, even given away.

But at least you didn't have to worry about Big Government looking over your shoulder. Thank God Mexico still believes in the free enterprise system.

Whale Watching

We went whale watching. My wife and I took our three oldest grandchildren while our daughter and son-in-law stayed home with the two-year old. It was a good experience; the whales were great. But it was no cake walk if you, like me, want to feel that you are getting a good deal and the best trip for you. Fortunately, I speak Spanish fairly well. Some people just choose the trip offered by the hotel, pay their \$85, and go. But there is no organized system, no licensing, no government oversight -- no posted prices anywhere! It was the absolute opposite of Greece where we went last fall and, in good European fashion, all guides must be licensed and to be licensed they must have a college degree in tour guiding, including language study, architecture, archaeology, anthropology, and history! (Our guide was terrific.)

The hotel trip was eight hours long and included snorkeling and lunch on a beach. I didn't want to take my grandkids out for that long -- and since one got seasick I was sure glad I didn't. So out I went to get the best deal I could. The above-referenced sales pitch for the Maya Palace was one detour on my journey. I ended up negotiating at the actual port where the boats go out with a man who had been selling these trips for 40 years. I had picked up a brochure for a four hour trip only for whales. Another *malecon* hole-in-the-wall shop had said that the price for this trip was \$45, half that for a child under 12. The guy at the port asked the same prices. I negotiated \$40 each for two adults and two teens and \$20 for the eight-year-old.

I received a strange little receipt that promised nothing, had no official or governmental imprimatur of any kind, and left me a little uneasy. It was quite

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conceivable to me that we would show up at the port the next day and no one would in any way recognize the voucher I had bought. It was conceivable that they had oversold the boat, we wouldn't be able to get on, and we would have to leave Mexico without ever taking the trip we had paid for. And we would have no recourse. Not even a feeble Better Business Bureau. But we went, we got on the boat, four of us felt great, and the whales were terrific.

The evening before, my daughter, remembering recent incidents in Honduras and Bangladesh (and Lake George in New York just last year) where overloaded ferries had overturned and hundreds had drowned, said, "Make sure there are life preservers for every passenger." Although in fact a safety freak, I said, "We're going whale watching." We went. There weren't. Three cheers for free enterprise.

On the Beach

For a totally unregulated but less stressful market experience, buying in small shops and markets or from beach vendors is a "must" activity for most visitors. I used to squeeze the vendors down to the last penny – or peso – but with more and more consciousness of my own relative wealth and the fact that this is the vendors' livelihood, I don't press it so much any more. Besides, you gotta love these guys – men and women – for their free market go-gettiveness. They work so hard for what has to be, by our standards, so little.

The beach vendor market is about as pure a market as one can be. The seller has complete control over the price at which he and she sell their products, even if they work for someone else. They determine how much they make. The buyers are equally free to weigh price and value according to their own lights without any outside constraints – not counting spouses! – and buy or not. There are many sellers and many buyers so each can say no to any transaction. There are no government controls. There is no monopolistic seller or buyer. Entry into the market requires at most an inexpensive license. While the buyer may be slightly less knowledgeable about the product, many buyers have been buying on the beach for years, and most know what good silver or rugs or shirts or hats or dolls are.

If you go to Mexico, as much as you may hate bargaining, you ought to do it. It is what they expect. It is typical not only of Mexico but much of the rest of the world. I tend to offer maybe 60% of what they first ask and settle in the middle. Enjoy buying in a real free market.

Wal-Marting Traditional Markets

Five years ago was the last time we were in Puerto Vallarta. At that time, Wal-Mart was brand new but we didn't go because we don't go to any US chains when we are in Mexico – and now we don't go to Wal-Mart even at home. But this year we faced a dilemma: our local *tienda* (corner store) which used to carry tons of fresh fruit and vegetables such that we didn't have to go to a big market or grocery store, now carried just a handful of things, like for emergencies when late arrivals want something for breakfast: one grapefruit, one orange, etc. The same for all the other *tiendas*: all they carried now were packaged snacks, soda, ice cream treats, and alcohol.

Next time, there may be no *tiendas* at all. They just can't compete with Wal-Mart on most products. This time, at first, for some things and since Wal-Mart was within easy walking distance and where the resort told us to go, we went there. But later we also found a real, traditional Mexican market just a little bit further away with

open stalls selling everything from hats and booze to vegetables, fruit, and shrimp. It was clean and had the raw meat and seafood right out there like the old days, in the open, unpackaged, heads and all.

Wal-Mart is doing in Mexico what it does everywhere: squeezing both suppliers and competitors until it dominates both. Small suppliers are squeezed out until only large low-cost suppliers survive. Fortunately, for the time-being, small local farmers around Puerto Vallarta can apparently still make a living selling in public markets at lower prices. The prices at the Puerto Vallarta Wal-Mart were in fact higher than those in the traditional market. Perhaps this reflects Wal-Mart's isolation from Mexican *supermercados* (super markets) or indicates that here it is not really a low-cost chain but a store for middle and upper-middle class Mexicans⁸ – and American tourists. If some day the small farmers are squeezed out completely, they, or their children, will join the stream of migrants already going north, driven out by subsidized US agriculture products selling at below the cost of Mexican small farm production.

Mexico: Growth and Diseconomies

My family and I had a wonderful time in Mexico. I don't want anyone to get the wrong idea. I love Mexico. Puerto Vallarta in particular seems to me one of the most beautiful places on earth. But, unless you stay the whole time in your resort, it is hard to be there without realizing how tough life is for most people. Mexicans work very hard for very little. While million dollar houses climb the hills overlooking Banderas Bay and \$300,000 condos are rising everywhere, most Mexicans are living on \$10-15 a day when just a bus ride into town and back costs 90 cents and basic food costs 80% of what we pay in the States.

There are employees working at our resort whom we have known for more than 20 years. Whether in a tipping job or working for wages, they value their jobs with this American-owned condominium company because they can earn \$20-25 a day with a small pension contribution and private health insurance at just \$500 a year, matched by the resort company for full coverage. But they still work long hours to keep those jobs. I have seen them there 10-12 hours a day. Even employees in places that take noon to 2:00 pm breaks (the vaunted lazy Mexican siesta!) come back to work until 6:00 or later.

Mexico is a free market world of vast wealth disparities, terrible infrastructure, and little regulatory protection. As is true for all the better off third world countries, and notably Cuba, many on the lower end of the economic pile are better off than in the United States because better off third world countries direct social resources to basic health care for everyone and levels of personal violence against one another (and tourists) are incredibly low. But the bottom in Mexico is large and visible. You cannot go out on the street or ride the buses without seeing lots of people who are poor because most people are what we would call poor. We walked by their two-room concrete block houses on our way from restaurants to bus stops. They are not confined to the Bronx or Watts or the Appalachian hills, out of sight and out of mind.

The buses are beaten up from hundreds of thousands of people and miles. A yellow haze from unregulated bus and car exhausts hangs over the circumference of Banderas Bay: not like Mexico City but not lovely either. The sidewalks are so

⁸ There were a lot of cars in the very large parking lot shared with Sam's Club. Poor Mexicans don't own cars.

uneven you are constantly stubbing your shoes or your toes (in sandals). One of the resorts' workers knew she could never get a management job because she had no more than a primary education. It is not uncommon to have to pay not only for your child's school supplies but, especially at the secondary level, school tuition. At \$100, it might seem small to us but it is very large for someone earning \$2000 a year.

Mexico has strong labor rights based in a constitution guaranteeing the right to organize a labor union, but in practice, long-standing incestuous relations among government, the Confederation of Labor, and large employers have left the laws inflexible, ineffective, and largely inapplicable to the lives of most workers. Forget about suing anyone in an understaffed and inefficient court system not designed to protect people from the hazards of everyday life. The government relies heavily on the value added tax (VAT) which is like a sales tax paid by consumers of goods and services. Strongly advocated by American intellectuals on the right, this tax falls heaviest on those who have the least and has increased to 15%.

The North American Free Trade Agreement has opened the door to economic growth and some Mexican companies have become multinational powerhouses. Most state-owned enterprises have been privatized – like telephones and airlines, but not PEMEX, the state oil company. This has produced greater capitalist efficiency – greater profit per dollar invested – and in the case of telephones, better service, but helped put hundreds of thousands of small enterprises out of business, increased migration abroad, and done little to improve the lot of most Mexicans. Again, the American intelligentsia on the right has made much of increased wealth created by free trade but, as at home, talks little about how that wealth is distributed.

At times, I have a vision of Mexico as the kind of society that the new conservatives of the anti-government so-called free market right, Democrats as well as Republicans, really want. In Mexico, if you are rich, you can buy most anything you want, except clean air. You can pay the \$85 for whale watching and not worry about whether it is a good deal. You can buy personal security, clean water (which, by the way, you have been able to count on out of the tap in Mexico for over 20 years now), a comfortable ride to town, a quiet home, and outstanding medical care. You could leech off those countries which pay the cost of regulation and buy abroad your food, drugs, and other commodities for which there is no consumer protection in Mexico.⁹ There is a market for everything in Mexico. If you are rich enough, you don't need a social safety net.

But Mexico's reality is not for me a vision I could embrace.

Mexico: A Vision of Our Future?

George Bush and his allies talk about their "free market" world as one of personal responsibility, initiative, and reward: the "ownership society." But with reduced spending on education; less protection of the environment, worker safety, and consumers; and a failed health care system; fewer and fewer people are able to take advantage of opportunities the rich can assume. In a society characterized by higher and higher concentrations of wealth and power in the hands of fewer and fewer people, most are left out of the game. The economy may be growing and "wealth creation" up, but worker income is stagnant even after four years of economic growth. Even worse, the social safety net is withering in the face of increased

⁹ You can get most any drug, from amoxicillin to Zoloft, over the counter, without a prescription.

military spending and declining taxes, employer abandonment of health care and pensions, a fixed minimum wage, and drastic cuts in funding for a college education. Behind the façade of freedom is an inequality which prevents most from competing fairly and thus makes the very notion of free markets a sham.

Remember, the two fundamental tenets of neo-conservative economics are: (1) Reward society's most productive citizens by lowering taxes on high incomes, interest, and, especially, dividends, capital gains, and inherited estates, and (2) enable those citizens to be even more productive by removing as many constraints -- meaning government regulations -- as possible from their efforts. This is what the intellectuals and gurus who have grown up around conservative institutes over the last 40 years have been writing and saying outloud among themselves. Grover Norquist, president of Americans for Tax Reform and the Republican Party's anti-tax guru and strategist, calls it "starving the beast," meaning cutting taxes to reduce revenue to force cuts in government social programs.

As Mark Shields recently pointed out on the PBS "News Hour" in reference to Tom DeLay, the Republican Revolution has always been most of all about deregulation. DeLay owned a pest control business and believes that DDT should never have been banned. This belief has persisted in the face of overwhelming evidence that DDT's banning has not only saved countless species from extinction, including our national symbol, the bald eagle, but likely also prevented massive damage to the genetic and endocrinal structures of our children.

Amazingly, the United States, Canada, and Mexico all had major mining accidents during the month between our return from Mexico and my finishing this article. In each case, the major problem was not death by some violent action such as an explosion but suffocation from lack of oxygen. At the Sago mine in West Virginia, regulations required the 12 trapped miners to have only a one-hour supply of oxygen. In Mexico, 65 miners carried, at best, one-hour of oxygen. In Canada, 72 miners had "safe rooms" with 36 hours of oxygen – as well as food, water, chairs, and beds. In the United States and Mexico, all the miners died. In Canada, they all lived.¹⁰

Politicians on the right rarely talk outloud about their real principles because then they might have to explain what they mean and what they mean would hardly calm the anxieties of a troubled electorate. For the fundamental assumption behind the above two principles is that we can identify the most productive citizens by how much money they make and have. Lots of ordinary conservatives would say this, though perhaps in other ways such as: "What people are paid reflects their worth to society." "I am paid a lot because I am worth a lot to society." I think this is baloney but it is, up to this point, a perfectly rational argument.

¹⁰ It is Canada which has the true "culture of life" of which the Republican Right likes to boast when it comes to abortion. In the United States and Mexico a culture of "free markets" leaves corporate bigwigs free to ignore the people they affect and workers free to die. The Bush Government, upon taking office, set out deliberately to gut mining regulation, naming former mining executives to the Mine Safety and Health Administration, withdrawing proposed safety regulations (like Canada's oxygen storage requirement), and imposing slap-on-the-wrist fines for safety violations. After the fact "emergency regulations" to provide more oxygen are typical of the smoke and mirrors anti-government ideologues employ to conceal their actual lack of concern for worker and consumer health and safety.

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Where the neo-conservative philosophy breaks down is in its radical right political practice deriving out of a fundamental flaw in the argument itself. If the society they describe is not to become just a self-perpetuating oligarchy, it is essential that each succeeding generation have an equal opportunity to be productive and rich. But if you cut taxes the most from those people most able to pay, you don't have enough money to fund schools, health care, nutrition, housing, and what else enables the potentially productive children of the poor to become the productive rich. And if you don't protect people from air pollution, water contamination, accidental deaths, dangerous products, fraud, and deception, you can hurt as many potentially productive as unproductive people. Eliminating the estate tax, while financially more symbolic than large in revenue, symbolizes the fundamental flaw in the neo-conservative argument. We will end up with the kind of inherited aristocracy so many of the founders of our nation so greatly feared. We will no longer have democracy.

On top of all this, the two rational, if dubious, economic tenets of neo-conservatism - revenue reduction and elimination of regulations restricting business -- are so closely linked to long-standing Big Business goals that they end up in practice producing not free market nirvana but corporate cronyism. Government comes to be perceived as an instrument of the corporate rich, not just reducing taxes and eliminating government regulations but using what revenue remains to subsidize even greater profits for those who own and run US multinational corporations.

Norquist has likened the estate tax to the Holocaust. Consider the recent tax cuts for the oil and gas industry amidst their highest profits in history. Consider a Medicare drug program that bars the government from negotiating lower prices. Consider the role of corporations in lobbying and writing legislation, funding political campaigns, and sending politicians - and their families -- on boondoggles. Consider the Sago mine disaster. Consider Halliburton. The link between Jack Abramoff and Tom DeLay is not coincidental.

For a truly productive society, you have to **(1) invest in your children, (2) break up private monopolies, and (3) prevent the rich and powerful from using government to turn Adam Smith's free market capitalism into the very thing it was designed to curb.** Otherwise we get what Martin Luther King, Jr. already saw - and perhaps foresaw -- almost 40 years ago: "socialism for the rich and free enterprise for the poor." Mexico. Not democracy.

Web Site: Downside Up has had a web site, and will have one again, but since I changed internet service providers, I have not set up a web site on the new server. When set up, once again all previous articles will be there and can be read and printed out with a few clicks of your computer. In the meantime, if you need a back issue, email me at downsideup2@bellsouth.net.

Expanding the Readership: If you like what you see in Downside Up, feel free to forward this on to others. If you have received this by forwarding from someone else and you would like to be on the direct email list, email your email address to downsideup2@bellsouth.net. If you want to be taken off the email list, email to the same address.

Downside Up is published to educate the public about political, economic, and social issues from personal finance to international relations. In order to maintain flexibility in administration and allow for donations to political organizations, Downside Up is not set up as a charity and contributions are not tax-deductible. Email correspondence may be sent to downsideup2@bellsouth.net. Responses to email may appear in the newsletter but not necessarily be responded to personally.

Downside Up, "Markets and Mexico," March, 2006, page 12

Ronald Woodbury is the publisher, editor, and general flunkey for all of Downside Up. While publication benefits from the editorial advice of one of his daughters, a friend, and occasional other pre-publication readers, they will, for their own privacy and sanity, remain anonymous. The web spinner's name is also best left anonymous.

Woodbury has a B.A., M.A., and Ph.D. in history and economics from Amherst College and Columbia University. In addition to many professional articles, he has published a column, also called Downside Up, in the Lacey, WA, Leader. After a 36 year career as a teacher and administrator at six different colleges and universities, he retired with his wife to St. Augustine, FL, where he continues to be active in church and community. He has two daughters, one a physician and one an anthropologist, and six grandchildren.