

an excerpt from

The Fox in the Henhouse

by Si Kahn and Elizabeth Minnich

Published by Berrett-Koehler Publishers

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Introduction: A Road Map

PRIVATIZATION MAY NOT SOUND to you like a threat to democracy. It's not a familiar word, and it isn't often used by people who are struggling for democracy, for freedom, for justice. People haven't usually stood up at rallies and made rousing speeches either for or against privatization.

That's because *privatization* is the kind of word economists and policymakers use. What it means in practice, its purposes and effects both internationally and in the United States, are hidden by such dry language.

We believe not only that privatization is a threat but that it is *the* threat to democratic commitments to the public good. It is a threat to the commonwealth that sustains us all, in the United States and around the globe.

We believe that we fail at our peril to see that the possibility of public provision for our basic human needs, safety and security, our basic human rights, and our high aspirations to liberty, justice, and equality are under concerted attack by corporate privatizers and the officials who do their bidding from inside government. We believe that efficiency in pursuit of profits is not at all the same thing as effectiveness in providing for and protecting democratic values and dreams of liberty, equality, and a decent life for all.

So, then, what is privatization?

Privatization as an agenda for the United States has been described by the *Wall Street Journal*, a generally reliable reflector of corporate thinking, as the "effort to bring the power of private markets to bear on traditional government benefits and services."¹

Translation: Privatization is letting corporations take over and run for profit what the public sector has traditionally done.

Privatization as an international agenda is usually described this way: “The privatization of state-controlled industries in countries that have had heavily nationalized economies is a necessary step in their progress toward a free market economy.”²

Translation: Same as above, only more so.

Neither definition makes privatization sound like a threat to democracy. There’s that powerful word *free*, the familiar, friendly-sounding *market*, the use of *private* that evokes the Western value of *private property*. Such language makes privatization sound like an economic policy that is true to the democratic way, the road everyone should take to become free and prosperous like the United States.

But this familiar rhetoric hides too many realities. For one, it slides right over the awkward fact that income and wealth inequalities and poverty rates in the United States are actually among the most dramatic of the more developed nations.³ On a larger scale, it avoids entirely the important questions of just how free today’s capitalist economies actually are, whether they really do serve political freedom, and whether it is always progress to join, or be forced to participate, in them.

These dry, common definitions just don’t reveal that “privatization of state-controlled industries” means selling off a nation’s natural resources—oil, coal, natural gas—for exploitation by privatizing corporations. In many countries, state development of natural resources has provided the funds for essential social services, such as public health care and education. The usual definitions of privatization don’t make it clear that those services will not be provided or financed by the corporations that under privatization schemes pocket profits from the natural resources and national industries they take over. Financially weakened national governments cannot afford to provide for the common good. Nor can they stand up to and regulate the huge corporations that are strengthened by privatization, or the individuals who become enormously wealthy by buying and reselling that nation’s resources.

The usual descriptions of privatization don't say outright that the possibilities of such enormous new sources of wealth readily lead to national and international corruption and lawlessness. But, by the record, they do. For one example, in a scenario that is strikingly reminiscent of recent corporate scandals in America, the U.S.-based "accounting firm of PricewaterhouseCoopers repeatedly signed off on the books of the Russian central bank, even though auditors knew that the bank was sending its dollars abroad to FIMACO, a shell company in the British Channel Islands with no employees."⁴

Did this make any difference to the Bush administration? You can bet your stock options it didn't. In fact, U.S. officials turned to one of the powerful overseers of Russia's privatization, Boris Yeltsin's Minister of Finance Yegor Gaidar, to advise them as they set out to privatize Iraq's state-owned resources and enterprises. Gaidar has been called an economic shock therapist for his advocacy of "instantaneous, nonevolutionary transformations, wholly indifferent to the human cost of the policies they imposed."⁵

The transfer of wealth and power from nations and their governments to private corporations is not a benign step on the road to freedom and progress. It doesn't just happen as economies and governments and people "mature," as societies "evolve" and "develop." Privatization is an agenda more or less forcibly imposed on governments that lessens their powers in favor of the largest corporations.

It needs to be said: This transfer of wealth and power from governments to corporations, and from the commonwealth of the people to the global oligarchy against which commentator Bill Moyers warns us, is precisely *not* the triumph and spread of democracy. It is the triumph and spread of dominance by privatizing corporations for which national boundaries, along with provisions and protections for the people, are nothing but barriers to their pursuit of profits.

A Definition of Privatization

Here, then, is our take on privatization:

Privatization is a concerted, purposeful effort by national, multinational, and supranational corporations (and the individuals, families, officeholders, nonprofit and religious organizations they have made or promise to make enormously wealthy) to undercut, limit, shrink, or outright take over any government and any part of the public sector that (1) stands in the way of corporate pursuit of ever larger profits, and (2) could be run for profit.

We think this definition of privatization is more accurate and truthful than the less explicit, common, dry ones. Insofar as we are right—and of course you will judge that for yourself—there are realities of privatization about which we believe it is wrong to remain neutral and disengaged.

Descriptions, explanations, and analyses have political and moral significance just as actions do. For example, it is true that the United States has growing inequalities of wealth, that the gap between the rich and the poor has been widening—but it is not right. And if it is not right, then we are called to act—and the sooner, the better. There is always time to stand up for what is right, but it's obviously a lot harder when the systems have become fully entrenched.

So we write about privatization—what it is, what it means, what it does, what it threatens—to sound a political and moral alarm, not just to prove our point by piling up facts and logical arguments. We do that too, and are beyond grateful to all the superb scholars, analysts, and reporters whose books and papers now fill virtually every corner of our house (well, our offices were already bursting, but we used to have a dining room table we could actually eat at, and we really didn't have books under as well as on top of chairs). But we also write in many senses from where and how we live, as

who we are, because we got caught up in this research for personal, political, and moral reasons, not just as disinterested researchers.

This is why we use examples from our own and other people's experiences as well as facts and figures, and tell stories as well as make arguments. Because Si has spent the last six years working to abolish for-profit private prisons, jails, and detention centers, and because private prisons are such a prime example of privatization run completely amok, we devote a special section to them as a worst-case scenario.

We also came to some conclusions, some generalizations that emerged to make sense of all those stories and facts and experiences and analyses. Here they are:

- ◆ Selling essential protections and provisions for the public good to private profit-making corporations puts democracy itself on the auction block.
- ◆ Privatization is not just an economic policy. It doesn't just happen as economies and nations develop. It is a purposeful, planned, global, political agenda with dramatic consequences for the lives of people in the United States and around the globe.
- ◆ The difference between the values and goals of privatizers and the values and goals of those committed to the public good is *the* great divide of our times.
- ◆ Privatization empowers and enriches supranational corporations that have no loyalty or obligations to any nation, any state, any community.
- ◆ The free market is not the same as political freedom. Privatization shrinks the spheres in which citizens have political rights that are legally established, protected, and backed up by good governments.
- ◆ The free market is neither free nor equal economically. Corporations dominate it and set the rules in their favor.
- ◆ Privatization has already cut deeply into the public control and accountability of crucial functions such as the military, public security, health and safety, education, and the environment.

- ◆ Privatization radically increases the gap between the wealthy and powerful and the poor and vulnerable. The rising tide that supposedly lifts all boats actually sends many more to the bottom. Wealth does not trickle down; it sucks ever more up from the many on the bottom to the few on the top.
- ◆ Corporate privatizers seek to control governments, to break unions, and to discredit and disempower people's movements that challenge their dominance.
- ◆ The takeover of public goods by for-profit corporations does not lead to greater efficiency and does not save public money.
- ◆ Governments that hand their proper functions over to corporations to run become dependent on those corporations. Corporations then become ever more powerful; conflicts of interest and corruption increase.
- ◆ It is essential that corporate economic power be checked and balanced by governments, just as it is essential that governmental power be checked and balanced by independent legislative, judicial, and executive branches that are held accountable to constitutions and to constituencies.
- ◆ Rule by corporate powers is just as threatening and frightening as rule by any other power that is not balanced and checked. Economic, political, military, and religious monopolies are all enemies of democracy.
- ◆ Democracy requires the healthy functioning of separate spheres, of many differing centers of power, of multiple interest groups. By limiting, checking, and balancing powers, democracies increase their responsiveness, their openness, to the differing people on whose consent their legitimacy rests.

These are our conclusions—the way privatization looks from the grassroots, from the ground up.

The view looking up from the grassroots is very different from the view looking down from above. The lawn mower looks quite different to the grass than it does to those who want the grass cut down, cut back, kept neatly under control. No single blade of grass matters to the owner of a private lawn. Wildflowers and inde-

pendent plants sprung from roots and seeds that spread themselves and grow where the soil and sunlight and rainfall are right for them are nothing but weeds to those who have a plan for their fenced-in garden, their one-crop field. Fine; we've pulled out some plants to protect others; sometimes we even mow our lawn. And we live on foods grown by other people who have to tend and protect them.

But what will happen when the whole earth—land, plants, animals, water, and all that lies under them, and the air, the sky above them—is owned by just a few who can and will use those gifts, and use them up, without giving a thought to anything but profits? What would it *really* mean for the whole world to become “an ownership society?” That's the question that kept us going—that, and why on earth so many people find that proclaimed goal of President George W. Bush to be appealing rather than appalling.

More Conversations

Back when we started talking about privatization, some people just looked at us blankly. We would then say something like this: “You know, it's when things are turned over to private corporations—like federal lands turned over to be logged, and public health care, public education, public prisons, or welfare being run for profit rather than by the public sector.”

A pretty basic, not at all analytical statement, but most people would nod when we mentioned at least one of these examples. “It's not just one thing,” we'd say. “It's lots of things. It's happening more and more.”

Some people knew entirely too much about the privatizers. If they were union members whose jobs had been targeted for privatization, they knew about the dangers firsthand, and most had fought back. Some had lost their jobs to the privatizers; others had succeeded in fighting off the attempt and were now waiting for the privatizers to come back and try again. If they were students at one of the more than five hundred U.S. colleges and universities where the foodservice contractor was Sodexo-Marriott, they probably

knew that the French-based parent corporation, Sodexho Alliance, was the major shareholder in the largest for-profit private prison corporation in the world, Corrections Corporation of America (CCA). On many of these campuses, students participated in a hard-hitting international campaign led by Grassroots Leadership and the Prison Moratorium Project that eventually forced Sodexho to divest its shareholding and withdraw its representative from the CCA board of directors.

But through all of this, what too often went unasked was why there were growing numbers of stories about privatization, growing numbers of “dots” on the economic map. Even when some political analysts and activists became concerned about privatization, they tended to focus on a tree or two rather than the whole forest—or on the forest but not on what had made it grow so fast and spread so far into the public sector, into our government itself.

Studies of privatization in particular areas—say, privatization of welfare services—are invaluable. They go into depth as no overview, no attempt to analyze the whole picture, possibly can. Our bibliography at the back of this volume contains many of these excellent studies, and we hope you will make use of it.

Still, it seemed evident that we needed to keep talking, listening, watching, analyzing, following the breaking news, because the privatizing that had been going on for some time was both escalating and reaching a critical level. The changes to our democratic republic were threatening to become much harder to stop, much harder to reverse.

A Privatization Field Guide

Because privatization is both a national and an international agenda, and because that agenda is at work in so many different areas, it can look quite different at differing times and in differing situations. Nevertheless, when you have been immersed in tracking it down for a while, some identifying markers begin to emerge. Privatizers have a consistent rhetoric, a view of history, a political and economic position, and an ethics that is used to justify all of these.

RHETORIC

The spokespeople for privatization frequently use the following words, and pairs of opposed concepts, to shape discussion and debate.

Dependence versus independence. Privatizers use the term *dependence* to characterize people's relation to government. In particular, they call people "dependent on the state," or even "wards of the state," when there are programs designed to serve and protect the public good, such as Social Security retirement and disability benefits, unemployment insurance, and welfare. Privatizers contrast this supposed dependence with what they call *independence*, by which they mean having no rights to public goods and services and no governmental programs through which people spread among themselves the kinds of risks that can impoverish us, such as long-term illness, disability in a society that does not provide essential access, job loss, and economic depression.

Self-reliance. Privatizers praise *self-reliance* as an opposite to *dependence*. Conservative spokesperson Dinesh D'Souza summed up what this means in practice by saying, "When I'm old I'll rely on my family or rely on charity, or frankly, if I don't have the resources, that's my own tough luck."⁶ So, in this view, reliance on family, charity, and luck is self-reliance; paying your own hard-earned money into Social Security is dependence.

Freedom. In the language of privatization, we do not need and should not want government, laws, or rights to establish and protect our freedom. In his second inaugural address, in 2005, President George W. Bush told us that he would work to give us freedom *from* government. In the rest of the world, though, he said he would work for freedom *of* government. Since we have a democratic form of government, and he said it is his cause to spread democracy around the world, this is a bit odd. But it makes sense to privatizers, because for them freedom does not refer to political freedom.

The free market. When privatizers use the term *freedom*, whether from or of governments, they are actually referring to the free market. And by free market they mean capitalism with no constraints—no antimonopoly laws, no environment-protecting regulations, no unions, no consumer organizations, no constraints on entering other countries' markets, no health and safety regulations at home or abroad. Most of all, “free” capitalist markets means no strong governments that can check and balance the global power of profit-seeking corporations. It doesn't mean that you and I are free from the dominance of those corporations.

The welfare state versus the free market. The “welfare state” is scorned as a too-powerful, centralized government that turns citizens into its dependents. Conservatives attack it as a failed system that destroys the potential for economic productivity and growth that has made America the richest and most powerful nation on earth. The “free market” is presented as the engine of that wealth and power, and history's obvious winner. Corporations are thereby cast as the fittest economic beasts around, the ones that outcompeted all others and came out on top.

To hear the privatizers talk, you'd think that in a welfare state everyone is on welfare. But this is not what the term means. In a true welfare state—unlike in the free market—government is responsible for the welfare of all the people who live there. It's the job of government, for example, to guarantee that everyone has access to schools, that no one dies for lack of affordable health care. These provisions do not make us dependent. Quite the contrary.

Competition. Since winning economically is taken to justify everything, to prove historical superiority, economic competition is touted as the engine of all progress and achievement. Cooperation, care for others, collective provisions for safety nets that protect people from complete devastation are seen as brakes on progress rather than a way of making progress more equitable and just.

Failed systems, social problems. Privatizers characterize the public governmental programs of the welfare state that they want to run for profit as failed systems. They present themselves as the only ones capable of running effective systems. Does that sound reasonable? Think again. It wasn't corporations that defeated the Nazis in World War II. That was done by a highly effective, well-organized, dynamically led *public* military, commonly known as the armed forces of the United States of America, together with our allies.

Efficiency and the bottom line. Privatizers link the efficiency they claim as their defining virtue with their responsibility to the bottom line. People, agencies, and programs working for the public good rather than profits are dismissed as inefficient at best—whether or not the evidence supports that judgment.

Thus, privatizers equate democracy with unregulated capitalism and equate freedom with corporate license. They equate having rights to government services with being dependent, and having no recourse except charity with independence. They glorify efficiency in all-out competition to make the biggest profits, and claim it as their prime virtue. They want us to believe that no-holds-barred competition is the only reliable motivation for those who deliver—or in their case, sell—public services.

A VIEW OF HISTORY

Obviously, a view of history shapes this rhetoric. This view takes history to be the story of humankind's economic progress toward achieving global capitalism. Since global capitalism is equated with democracy, the history is often told as if it were political rather than economic—the story of a triumphal march toward democracy and freedom. Thus spreading democracy (that is, the free market) around the globe can be cast as a crusade justified by history. And what about states that are already democracies? In the terms of this historical story, those states need to be shrunk,

limited, beaten back so that the free market can continue taking over everything.

POLITICS AND ECONOMICS

In the worldview of privatization, politics is only important or real in relation to the engine of progress and power: economics. States, nations, governments—these are either irrelevant or outdated barriers that must be made to yield to and do no more than serve the imperatives of the serious players, the supranational corporations competing for global markets.

ETHICS

The ethics of privatizers are those of “winners.” If you are rich, if you are powerful, they assure you that you have done good by doing well, an evaluation that is applied to the United States as a whole as well as to individuals. By this ethic, the United States is to be judged a morally good nation because it is the richest and most powerful. This coldly competitive creed is also often accompanied by invocations of Christian values that are used to suggest that it is part of God’s plan to divide the world into the saved and the damned, the good and the evil. God is then said to be on the side of the saved, good, economic “winners” in their struggle against the evil, damned, economic “losers.”

Tactics for Privatizer Wannabes

All this serves the cause—which is to say, the profits—of privatizers very well. But there is also a practical set of steps that they tend to follow, and it is helpful to be familiar with those. We end our introduction, then, with a shorthand guide to the strategies and tactics we have seen over and over as we have studied and organized against privatization.

As you read our book, it will be useful to keep in mind these preparation and action steps that we have distilled. Sometimes, as in the case study of the effort to privatize Social Security (see chapter 12), virtually every step we list is quite evident. Sometimes,

when we tell much less of the story of a particular effort to privatize, fewer will show. Nevertheless, whether visible or invisible, the steps the privatizers take in the process of preparing the public (that's us) to go along with their takeover of public goods and services follow these lines. There need not, we should say, be a conspiracy for there to be an evident pattern that shows when you stand back and look at a whole picture as it unfolds over time.

PREPARATION

First, you must undercut the people's respect for and trust in their government and public employees, in unions, in movements for social justice. Do so whenever and however you can. Glorify corporate executives.

Say that the public goods, services, protections that you want to run for your own profit are "failed systems," "broken," "in crisis." Repeat as often, as unambiguously, as publicly as possible. You want people to believe that providing adequate funding, effective job training, and more incentives for public employees to do better work can't possibly succeed. You want people to believe that the reason provisions and protections for the public good have problems, any problems at all, is that they are run by *public* agencies, staffed by *public* employees.

ACTION

Meanwhile, go ahead and break those public systems. (Yes, it's an interesting way to be a truth-teller—sort of like telling someone who's about to hire a mover, "Don't hire her; she hasn't got a single truck that runs," and then having your friend the mechanic mess up all of that mover's trucks when she brings them in for their required annual inspection. "After-the-fact truth," we might call it.)

Many of the public services you want to take over were underfunded to begin with, so cut their funds even more and they'll barely be able to function. That will make the public get really mad at the people and agencies that provide those services, which is what you want. At the same time, impose costly new requirements

on them. Support private, for-profit alternatives, offer to reward people for using these services, and of course, do not make up for the funds this takes away from the public services. In short, starve them of money while requiring more of them.

Offer yourself as the only possible savior of what you have broken. Stress your efficiency and accountability. If problems in your own operation are exposed, put more money into image advertising.

If people still refuse to believe that the public system you want to run for profit needs rescuing by you, tell them that your takeover plan is really just a responsible effort to find a better way to run public services. Float possible fix-it plans that privatize at least some aspects of the system. Back off (but only temporarily) from anything that arouses significant opposition.

Continue creating facts on the ground by privatizing whatever you can. The more little bits you get, the easier it will become to get bigger bits later.

This is the way privatizing is presented to us, and over time, continues and spreads, hiding the reality that the interests of We the People really are not served when provisions for the public good become profit centers for corporations.

Privatizers have a bottom line. Everything they do has as its goal to strengthen that bottom line, to increase profits.

We believe that the majority of people in the United States have a bottom line too. It's called *democracy*. They believe in it, they care about it, they work for it, they try to keep it strong. In this book, *The Fox in the Henhouse*, we show how privatization threatens democracy.

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