



## Five Looming Curses of Privatization

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With the breakdown of the private financial industry, and with the decision by corporations to stop meeting their tax responsibilities, and with the dramatic surge in tax haven abuse, less tax revenue is available to state and local governments. Deprived of funding, governments are forced to consider privatization schemes to balance their budgets. But any such scheme comes with adversity and pain.

The futility of diverting public funds into the hands of profitseekers has been well-documented. Here are a few of the gathering curses of privatization.

### 1. Public treasures sold off for short-term budget needs

In his 2006 budget President Bush proposed auctioning off 300,000 acres of national forest in 41 states. This followed attempts by both the Reagan Administration and Clinton-era Republicans to privatize public land.

Now, with continuing budget shortfalls, the Cato Institute and other libertarian groups are pressing for property deals, with the justification that land should be "allocated to the highest-value use," presumably making it available to the highest bidder for consumption purposes.

That brings us to Paul Ryan's dubiously-named Path to Prosperity, which proposes to sell millions of acres of "unnecessary federal land" and billions of dollars worth of federal assets. He's starting in his own backyard: the state of Wisconsin is considering the sale of DNR land for some ready cash. The Path to Prosperity is based in part on Republican Jason Chaffetz' "Disposal of Excess Federal Lands Act of 2011," which would unload millions of acres of land in America's west. Worse yet is Rep. Cliff Stearns' perplexing recommendation to "sell off some of

our national parks." Mitt Romney also chimed in, admitting that he didn't know "what the purpose is" of public lands.

## 2. Infrastructure decaying in the hands of profit-seekers

David Cay Johnston describes the deteriorating state of America's infrastructure, with grids and pipelines neglected by monopolistic industries that cut costs rather than provide maintenance. Meanwhile, they achieve profit margins of over 50%, eight times the corporate average.

The government agencies that are usually blamed for the crumbling infrastructure are often staffed with regulators from the industries they're expected to monitor. If and when accidents happen, the companies responsible can plead hardship and demand rate increases from the public.

It's getting worse as corporations become fewer and more powerful. Almost every American adult can relate to the monopolistic phone and Internet industry that controls our public airwaves. According to the Organization for Economic Cooperation and Development, South Korea has Internet speeds up to 200 times faster than the average speed in the U.S., at about half the cost. Free-market enterprise is simply not working in the U.S. telecommunications industry.

## 3. Water no longer available for the common good

According to Food and Water Watch, "The finance industry is promoting water privatization as a way to help local governments pay for budget shortfalls and improvement projects." The chief economist of Citigroup concurred: "I expect to see a globally integrated market for fresh water within 25 to 30 years."

But while profits average 12 to 15 percent per year, water and sewer utility rates typically rise 33 to 63 percent, and short-term business ventures are subject to abandonment after just a few years. Desperate local governments often regret their hasty decisions. A Century Foundation report concluded that with privatization "Competition is hard to create and maintain, cost savings (if any) from privatization erode over time, and service quality often suffers."

Numerous examples of water privatization abuse have been documented. In Pennsylvania and California, the American Water Company took over towns and raised rates by 70% or more. In Atlanta, United Water Services demanded more money from the city while prompting federal complaints about water quality. Felton, California privatized its water and received a 74 percent proposed rate increase over three years. Coatesville, Pennsylvania saw an 85 percent increase. Shell owns groundwater rights in Colorado, oil tycoon T. Boone Pickens is buying up the water

in drought-stricken Texas, and water in Alaska is being pumped into tankers and sold in the Middle East.

In another ominous note for the future, the House passed the Clean Water Cooperative Federalism Act of 2011, which would deny the Environmental Protection Agency the right to enforce the Clean Water Act. Our water is getting dirtier and scarcer. But a hedge fund advisor put a capitalist spin on it, noting the "serious profit opportunities" in water. "If you play it right," he added, "the results of this impending water crisis can be very good."

#### 4. Our children put at risk with unproven educational methods

The few charter schools with good reviews have functioned with limited enrollments, retention policies favoring likely-to-succeed individuals, and an absence of special needs students. This violates a precept underscored by Chief Justice Warren in *Brown vs. the Board of Education*: "Education...is a right which must be made available to all on equal terms." Charters aren't even close to that. The Louisiana Believes project, for example, which will eventually be the country's most extensive voucher system, has only 5,000 slots available for about 380,000 eligible students.

But corporations are rushing headlong into this lucrative new market anyway, while paying little heed to the body of research confirming their relative ineffectiveness. This includes studies from Stanford University, the Department of Education, Johns Hopkins University, and the RAND Corporation.

In addition to their poor performance, charters are more segregated, less likely to accept students with disabilities, and conducive to a widening of the racial and rich-poor education gaps.

Still, despite all the damning evidence, the charter myth persists in the American mind. And it's getting worse. The newest blind rush into privatization heralds 'virtual' schools, which offer lessons to homebound kids on their computers, even at the K-12 level. In what seems obvious to most of us, virtual schools don't work for children. A 2009 Department of Education study on blended online and face-to-face instruction reported results that were "significantly positive for undergraduate and other older learners but not for K-12 students."

A lengthy New York Times investigation of one of K12 Inc's online schools concluded that "By almost every educational measure, the Agora Cyber Charter School is failing. Nearly 60 percent of its students are behind grade level in math. Nearly 50 percent trail in reading. A third do not graduate on time. And hundreds of children, from kindergartners to seniors, withdraw within months after they enroll."

#### 5. Colleges gradually being replaced with prisons

America has the highest incarceration rate in the world, and despite a falling violent crime rate, more people are going to jail. As explained by Michelle Alexander, "federal funding flows to those agencies that increase dramatically the volume of drug arrests, not the agencies most successful in bringing down the bosses."

So as education funding drops again this year in most of the states, spending on prisons increases. The U.S. spends over two times as much per prisoner as per public school student. California spends more on prisons than it does on higher education.

The profit motive is hastening prison privatization. Quickly. From 1990 to 2009, the number of prisoners in private facilities increased by more than 1600%, from about 7,000 to over 125,000 inmates. Corrections Corporation of America recently offered to run the prison system in any state willing to guarantee that jails stay 90% full.

Yet studies show that private prisons perform poorly in numerous ways: prevention of intra-prison violence, jail conditions, rehabilitation efforts. A 10-month investigation by the New York Times concluded that "the state's halfway houses have mutated into a shadow corrections network, where drugs, gang activity and violence, including sexual assaults, often go unchecked." Even so, New Jersey Governor Chris Christie insisted that "Places like this are to be celebrated."

The U.S. Department of Justice offered this appraisal: "There is no evidence showing that private prisons will have a dramatic impact on how prisons operate. The promises of 20-percent savings in operational costs have simply not materialized."

Prisons, like public land and utilities and schools, are up for sale in America. Essential public needs are fast becoming the newest products on the market.