

REPLY TO HELLMER ON SWEATSHOPS

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I. INTRODUCTION

MUETZE HELLMER IS A FORMER student of mine at Loyola University New Orleans. The first draft of Hellmer (2005) started out as a term paper for a course she took with me. I am very proud of her for having an article she wrote while a mere undergraduate published in a prestigious scholarly journal such as *The Journal of Libertarian Studies*. While I gave her an “A” for her writing efforts,¹ I attempted to convince her all throughout the writing process that lead up to this publication that she was in grave error in opposing imports from foreign sweatshops, as advocated by groups such as United Students Against Sweatshops (USAS). I succeeded to the extent that Hellmer (2005) exhibits a rare understanding of the free market economic position, especially uncommon amongst those who do not have years of appreciation of the finer points of this philosophy under their belts.

As she brilliantly states (Hellmer, 2005, 33–34, material in brackets supplied by present author):

Such organizations (as USAS) demand that foreign-owned corporations improve the wages and working conditions in poorer regions of the world, and enact boycotts or lobby for legislation that will forcefully implement these initiatives.

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¹I give good marks for written work with which I do not agree, provided the paper is well written and coherently defends a clear thesis.

Economic theory, however, suggests that such actions are misguided. Indeed, it is hard to make the case that there is something wrong with people working for wages that others find abhorrent when these laborers are very poor and have few other options; if a laborer is working for extremely low wages it is his way of pursuing his best perceived option, and concurrently the market's way of allocating scarce resources efficiently given the supply of labor and the demand for the laborer's product. Generally, low wages are "just" as the laborer and the employer freely agree upon them. It would therefore seem misguided for a third party to step in and make a value judgment concerning this agreement based upon some illogical interpersonal utility comparison. Indeed, economic logic suggests that it is actually harmful for third parties to demand higher wages and better (more costly) working conditions for the poor, as such demands will result in unemployment among the most disadvantaged, given that these measures seek to raise wages above the going market price.

As well Hellmer's (2005, 37) understanding of libertarianism is highly accurate, and reasonably sophisticated:

However, it is a quantum leap to go from the perfect *a priori* economic logic presented above to the real world and assume that this *ceteris paribus* logic always applies. Often, the harsh facts of global political economy do not follow the rules of free-market theory as the prerequisite of voluntary choice is often absent; people are sometimes kidnapped and forced to labor by their governments, and property rights are not always respected. While the above activities do not prevent individuals from pursuing what they believe to be their own best-interest, it is not reasonable to defend their choices and ignore the previous injustices that have led to their current state if one is to make a humanitarian argument against interference in the market. In a world in which personal and property rights are always respected, the logic of the economic libertarian is impeccable; however, advocates of this philosophy should continuously remind ourselves that this is not always the context in which real suffering people (especially in underdeveloped nations) operate when we demand that corporations be allowed to benefit from the differing legal systems abroad.

The point I am making here is that Hellmer's (2005) attack on the free market and libertarian opposition to sweat shop imports is no hippie, dippie, unsophisticated economically illiterate screed,² as is

²During the first weeks of the course, this is indeed how I would describe her views, based on her class participation. I am delighted with her tremendous growth in only one semester. Conservatives who go to Washington D.C. and become liberals are not the only ones who can "grow."

most of that ilk. Very far from it, as these words above indicate. Nevertheless, she insists on defending USAS albeit not on economic, but rather on libertarian grounds. In the event, I was unable to convince her of the wrong headedness of her thesis. I am delighted to have this opportunity to try once again. In section II I shall subject to critical analysis her thesis that those libertarians who oppose the efforts of groups such as USAS are wrong not on economic but rather on libertarian grounds. Section III will be devoted to a discussion of the sweatshop situation in Myanmar and IV to a libertarian analysis of offensive versus defensive bribery and to a plea for logical consistency. We conclude in section V.

II. THE THESIS

Let us allow Hellmer (2005, 34) to put her thesis in her own words:

many observers—especially libertarians— tend to view the actions of such student organizations as USAS as actions arising from an ignorance of basic economics (e.g., Block 2000). However, it is not necessarily correct to entirely dismiss the sense of injustice felt by these groups. Although these organizations may be misguided in only attacking the wages paid by corporations, the claims of injustice are not always fictitious, not by a long shot. In some countries, such as Burma/Myanmar, workers are forced by the state to work in miserable manufacturing jobs for powerful multinational corporations (*The Economist* 2000; Amnesty International 2004). In other countries, such as Indonesia and several of those in Central America, governments have followed models of economic development that forced people from their land in order to attract multinational firms to export goods to the global economy and give the politicians a cut of the profit (Abrash 2003, p. 392; *South-East Asia Mining Letter* 1995; Booth and Walker 1999). These models of sweatshop development do not follow the free-market ideal of resource allocation mentioned above. There is a link between such utilitarian models of economic development and slavery, as the former is a government's way of violently forcing people to follow a model of economic action that these people would not agree to otherwise—presumably because they do not see the model fitting their best interests.

The problem I have with this is that *even if* this author is correct in her contention of violations of libertarian principles in the underdeveloped countries that feature sweatshops,³ still, her defense of groups such as USAS is misguided. This group protests against

³More about this below, much more.

sweatshops per se;⁴ that is, totally divorced from libertarian rights violations:

The Sweat-Free Campus Campaign is a multi-faceted, extremely successful program in which students organize anti-sweatshop campaigns on their campuses, mandating that the clothes bearing their collegiate logos be manufactured under fair and ethical conditions. Through our work first on collegiate codes of conduct and obtaining factory disclosure information, to our ongoing work to affiliate schools with the Worker Rights Consortium (an independent monitoring agency charged with investigating factory conditions in collegiate apparel producing facilities), we are able to exert continuous pressure on administrations and corporations, resulting in significant and concrete victories supporting the mainly young women of color who are fighting for fair working conditions around the world. The Sweat-Free Campus Campaign has recently taken on a new challenge, seeking to require the brands producing university goods to source from factories that either have democratic unions, or have made a concrete commitment to ensuring neutrality in the face of organizing drives, and pay a living wage. In addition, students are now requiring that, instead of making empty promises concerning a respect for the rights of workers, that these brands pay enough for their goods that it is actually possible for workers to bargain for living wages and humane working conditions.⁵

Were this a truly libertarian campaign, it would oppose not sweatshops, but, rather, a sharp distinction coming up here, please pay attention, forced labor, kidnapping, slavery etc. Suppose this contrary to fact conditional. Stipulate that there was indeed forced labor, kidnapping, slavery etc. in a given country, but, instead of being compelled to work in sweat shops, dank, dark, dreary places in the heat, these victims were placed in veritable palatial factories, featuring air conditioning, festive decorations on the walls, pleasant views outside, nice music being piped in. In other words, the very opposite of a sweat shop was in operation: “humane working conditions” to the nth degree. Would the true libertarian then be satisfied? Not a bit of it.

⁴For libertarian defenses of sweat shops, against which Hellmer (2005) is aimed, see Block, 2000; Carden, 2004; Cott, 2006; DiLorenzo, 2006; Powell and , 2006; Sheehan, 2002; Stepp, 2001.

⁵http://www.studentsagainstsweatshops.org//index.php?option=com_content&task=view&id=16&Itemid=27

The situation described above resembles nothing so much as Malcolm X's (1965) distinction between the "house n*gg*r" and the field n*gg*r," under conditions of slavery. Yes, the latter was forced to labor under what we might with not too much exaggeration characterize as sweatshop conditions. But the former was placed right in the midst of "massa's" very opulent home. Here, the very *opposite* situation prevailed. Here, surely, there were the "humane working conditions" yearned for by the USAS, apart, of course, from that little matter that these relatively pampered slaves were there not there of their own free will, but rather under compulsion. However, here we are talking of *working conditions*, not slavery. That is precisely the difficulty with this USAS position.

Let me try to make this point in a different way. Consider the Venn diagram below. There are two overlapping circles which between them demarcate three separate sections, call them A, B and C, respectively. Label the circle comprised of A and B "forced labor." Now label the circle comprised of B and C, "sweatshops." Surely, libertarians must oppose⁶ what areas A and B represent, namely both forced labor that takes place in a sweatshop, B, and forced labor that takes place under more "humane" conditions. But just as certainly adherents of this philosophy must *favor* the rights of people, consenting adults at least, to engage in actions depicted by C, namely, work that takes place under sweat shop conditions, but is the result of voluntary agreements. What about the crucial area, B? Advocates of the freedom philosophy oppose this, too, but not because it is a member of the right hand circle; rather, because it lies in the domain of the left hand circle. That is, we are in opposition to B, forced labor sweatshops, not because of the sweatshop aspect, but rather due to the coercion involved.

Let us argue by analogy. Re-label the two Venn Diagram circles "criminals" and "men." Now, areas A and B indicate criminals, while B and C depict men. How do we as libertarians stand on them apples? In like manner to the analysis offered above, we oppose A, and favor C. What of B? We denigrate those who fall into this category *not* because they are men, but, rather, another crucial distinction coming up, because they are *criminals*.

It is my contention that the USAS position defended by Hellmer (2005) amounts to obliterating these distinctions. To its credit,⁷ the anti sweatshop movement opposes area B, albeit for the wrong reasons, as

⁶Subject to points to be made below.

⁷Again, subject to points made below.

we have seen. But they also come out against C, and there is no amount of bobbing and weaving on the part of Hellmer that can obfuscate this. The agonizing part of this is that Hellmer (2005, 36) full well realizes all this:

The sweatshops ... are a necessary step toward a sustainable economy that provides good jobs for what were at one time very poor and desperate people. Efforts to keep multinational corporations from locating manufacturing or other activities in foreign countries and efforts to reduce the profitability of such action prevent this beneficial process from occurring.

How, then, to account for her defense of USAS? Inexplicable. However, she (Hellmer, 2005, 40) does say this:

Acknowledgment of the injustice of violently enforced slavery was a correct action for USAS to take in this situation, even if the focus on low wages and high profits made by other anti-sweatshop groups missed the main reason for protest.

On the other hand, I can find no reference to slavery or forced labor as the key objection on the USAS web site.⁸ But I certainly agree with her critical assessment of “other anti-sweatshop groups.”

II. THE SWEATSHOP SITUATION IN BURMA

Let me start off this section by registering a complaint about the very title used by Heller (2005, 37) to begin this section of her paper. She entitles this: “The multinational utilization of sweatshop slavery in Burma/Myanmar.” My response? Who gives a bloody blue blaze about what *kind* of slavery is going on over there.⁹ We should be

⁸No reference to such rights violations is made here: http://en.wikipedia.org/wiki/United_Students_Against_Sweatshops

⁹What shall we call the “there” over there? Hellmer (2005, 37) states as follows: “Although the military government of this country changed the name to ‘Myanmar,’ the democratically elected Parliament does not recognize the name change, and maintains use of the name, ‘Burma.’ Due to the support of the democratically elected leaders, the U.S. government likewise uses ‘Burma,’ and I adopt this convention.” Well, that is not good enough for me. As far as I am concerned, a “democratically elected Parliament” implies nothing more and nothing less than tyranny of the majority. In contrast, a military government that took power through coup d’etat is nothing more and nothing less than tyranny of the few; e.g., oligopoly. Which is better? It all depends upon how they *act*. There have been horrible democracies (Hitler’s Germany) and there has been relatively benign rule by a few, even by a single monarch (see on this Hoppe, 2001). For example, Monaco. So, where do I stand on this issue of nomenclature? I am inclined toward

equally outraged, as libertarians, at “The multinational utilization of palatial slavery in Burma/Myanmar.” It matters very little¹⁰ whether slaves are housed in sweatshops or in palaces. Their key objection is that they are not free.

Now for the substance of the matter. In the view of Hellmer (2005, 38–39):

The truth is that the military regime of Burma abducts its own citizens and forces them to work in factories owned by multinational corporations. Often, the laborers are political dissidents or petty thieves, but the criminality requirement is a mere formality. Many innocent people, as well, are forced to work in the factories as well, bringing the number of slaves to a total of 800,000 (*The Economist* 2000). These forced laborers toil all day in dangerous and disease-ridden conditions under the gaze of armed guards. Often, they are chained together for months at a time. Those who refuse to work are beaten; thousands are raped or killed (Amnesty International 2004).

These are serious charges that go to the heart of libertarianism, and Hellmer is to be congratulated for bringing them to our attention. However, it by no means logically follows that libertarians are required, on this basis, to support a boycott of Myanmar.

First, let us consider a minor objection. Will a boycott help or hurt these hapless victims of violence abroad? This is an empirical question. On the one hand, a refusal to purchase products produced in Indonesia, for example, will reduce the (derived) demand for the products of those who are in effect slaves. This will reduce the benefits that accrue to the aggressors from their aggression. That is indeed the hope of groups such as USAS.

On the other hand, the economics of boycotts severely mitigate against this course of action. For a boycott amounts to a leftward

Myanmar, since I think people should be allowed to choose their own names, provided they the ones they choose are morally neutral (see Block, 2000B, objecting to the use of “Ms.”), and the military government is, after all, the one in power. Hitler’s government chose “Nazi” and Stalin’s “U.S.S.R.” and everyone went along with those choices, no matter how despicable were each of these regimes. I fail to see why Myanmar should be placed in a worse condition than those two.

¹⁰Ok, ok, it matters quite a bit how the slaves are treated. But, still, this pales into insignificance compared to the primordial fact that they are enslaved in the first place. This reminds me of a joke. An elephant, with a mouse on his back, walked across a wooden bridge. Said the mouse, “Boy, *we* sure made that bridge sway.”

shift in demand for a given product. This lowers price. But, at a decreased terms of trade, the item, the product of the sweat shop, becomes more attractive to non boycotters. Thus, what happens is that the products are no longer sold to boycotters; instead, non boycotters take up the slack. That is no way to run a railroad.

Then there is the empirical question of whether the best means to save the hapless victims of the abuse is through a boycott, even a successful one, which may well further entrench the abusers in their present practices, or, is the better path to integrate the economy of the evil oppressors with those of the more moral economies, and in this way help the downtrodden? As I say, this is an empirical question, and there seems to be no unambiguously necessarily better way to accomplish this task.

It is more than passing curious, however, that when it comes to helping the oppressed, the latter is by far the preferred policy when it comes to, or came to, our brethren suffering under the yoke of communism, at least in the eyes of leftists such as USAS. Never in a million years would these people think of boycotting a country such as Cuba. Nor did their intellectual and moral predecessors, decades ago, advocate any such policy when it came to dealing with the communist countries of Europe or Asia. Instead, the public policy recommendation emanating from this quarter was all in terms of integration of economies through trade.

Now for the major objection. We are asked to boycott Myanmar because its rulers are at the very least guilty of forced labor and at worst are evil enslavers. Well, there is evil, and then there is evil. And, in the grand scheme of things, a small bit of slavery amounts to practically nothing, at least compared to mass murder. A stinking, lousy 800,000 people were *enslaved* by Myanmar? Give me a break. Why, the U.S. government has *murdered* almost that number of people in its present imperialist war in Iraq.¹¹

We, the U.S., are the international bad guy. The real question, here, is not whether our companies should deal with dictatorial regimes such as Indonesia, or China, but, rather, whether *they* should deal with *us*.

Taking this philosophy to its logical conclusion, and, where else should we take it, the implication here is that no one should trade

¹¹According to the Johns Hopkins University study, the number is something in the order of 650,000. See <http://www.google.ca/search?hl=en&q=johns+hopkins+650%2C000+Iraq&btnG=Google+Search&meta=>

with any U.S. based firm. For, every time a foreign concern buys something from a domestic company, the latter pays taxes on the deal. These revenues go to the evil U.S. government, which uses (part of) them to finance its murderous imperialistic wars. More. We should not trade with each other either. For, every time we buy or sell to each other, the state takes its cut, the better to finance you know what. Of course, this is a recipe for no one trading with anyone in the U.S. Self sufficiency is the not-to-be-evaded result of such a policy. But, with the resulting loss of the division of labor, comparative advantage and specialization, virtually all of us would die, the innocent along with the guilty.

Yes, other countries' governments may have killed more of their citizens than the U.S. government has, ours. In the last little while, the U.S. government has only Waco¹² and Ruby Ridge¹³ to its "credit,"¹⁴ that is, if you ignore the tens of thousands of people who have died due to its pernicious drug war, and those who have perished because of its vicious policies of road socialism and socialized medicine. But people are people are people. It should not matter one whit whether a given government kills its "own" citizens, or those of other countries. Murder is murder is murder. To those such as Hellmer (2005) and USAS who want Americans to boycott Myanmar for its transgressions against the libertarian ethic I say, let us first get our own house in order. For down this road lies the claim: "Do not import from any country that does not perfectly follow the scruples of laissez faire capitalism." Since there is no country on the face of the earth that fits this bill, this rule implies that we not accept imports from any country at all. Nor trade with each other. This is a recipe for mass suicide if ever there was one. How any such policy will help the undoubted victims in Myanmar is far from clear.

III. FREEPORT-MACMORAN AND INDONESIA

According to the words of Hellmer (2005, 41–41, footnotes deleted):

¹²<http://www.google.ca/search?hl=en&q=waco&btnG=Google+Search&meta=>

¹³<http://www.google.ca/search?hl=en&q=ruby+ridge&btnG=Google+Search&meta=> These two places, Waco and Ruby Ridge, in one sense are but more geographical locations. But in another, they are reminders of national shame. One support for this claim is that Google lists these massacres of innocents in a search for those geographical entities.

¹⁴Apart from numerous under or non reported cases of it police brutality which have eventuated in the deaths of innocents.

Another example of human rights abuse carried out by governments in order to appease benefiting multinational companies is the case of Freeport McMoRan Copper & Gold Inc. in Indonesia. This corporation, too, has been properly demonized by the university activist crowd (much to the discomfort of the economic libertarians).

In the case of Freeport, the company was given permission from the notorious Suharto regime in Indonesia to relocate certain indigenous groups that had inconveniently homesteaded land on top of one of the largest gold mines in the world (Abrash 2004, p. 392). In 1967, Freeport McMoRan moved into the territory and confiscated the land of the Amungme and Kamoro peoples without any consultation or consent by the legitimate landowners, and forcibly relocated them with their own funds.¹⁰ Nor have the forced relocations ended. In 1995, the Indonesian military stated that 300 families living near a Freeport mine would be relocated (*South-East Asia Mining Letter* 1995). Since the indigenous people that once owned the land now taken over (e.g., stolen) by Freeport's mines are not happy about the interference with their personal and property rights, the Indonesian armed forces have had to create a special task force to protect the mine, one that Freeport publicly acknowledges paying for (*Sydney Morning Herald* 2002).

The United Nations (1999) has found many links between the location of the military in the Freeport area and violence against local indigenous residents. So has the Indonesian National Human Rights Commission (1995), confirming that the Indonesian military operating in and around the Freeport project area were responsible for the murder of at least 16 civilians and the "disappearance" of at least four individuals living in the area.

First, a few minor quibbles. The "notorious Suharto regime" cannot hold a candle next to the mass-murdering Bush regime. Only 20 people are claimed to have been murdered.¹⁵ Let us have a little perspective, here, please. At Waco alone some four times that many perished, including small children. As for a spot of land theft,¹⁶ well, the U.S. can teach these pikers a thing or two on that score. If we are to boycott Myanmar on these paltry grounds, the U.S. comes first, a long way first.

Now to the substance of the matter. Unfortunately, I am not a historian, certainly not an expert in the relatively recent history of

¹⁵It should not be necessary to say this, but I will say it anyway. The murder, or forced labor, or enslavement, of even one single solitary innocent individual is despicable for the libertarian.

¹⁶For a masterful libertarian analysis of this phenomenon, see Rothbard (1982); see also Block and Yeatts (1999–2000).

Indonesia. My comparative advantage lies very far away from discerning the truth of this particular event, which is subject to highly contentious debate in any case. My interests lie elsewhere, in a more philosophical direction. There are so many conflicting stories as to what actually occurred in the Freeport-MacMoRan (FM) Indonesian mining case that I certainly am not in a position to support any one of them. These perspectives range all the way from Hellmer (2005), the anti sweatshop movement,¹⁷ of which USAS is only a small part, all the way to the company's own views on this subject.¹⁸ The former is very negative, while the latter is positive.

How then to proceed.? As I see matters the best way to go about this is to assume several possibilities, *arguendo*,¹⁹ and then analyze them all. Happily, there are only a few plausible relevant scenarios.

First, the area where the FM mine was later sited was initially uninhabited; it was in an out of the way place, maybe on top of a previously economically inaccessible mountain. When the local inhabitants got wind of this new mine, they located there right before its arrival, the better to take advantage of the economic development that would later take place there. Call this the Cargo Cult scenario.²⁰ Here, if the trespassers were forcibly removed from the premises, so be it. If they resisted, so much the worse for them. In this case, Freeport-MacMoRan would be entirely innocent of any and all charges.

Second, there were natives located on the site of the soon to be created mine. They had lived there for decades, centuries, even. However,

¹⁷Scheiner, 1996; see also <http://www.google.ca/search?hl=en&q=Anti+Sweatshops+&btnG=Google+Search&meta=>

¹⁸<http://www.fcx.com>.

¹⁹I offer this humorous story in defense of this way of proceeding. According to that old joke, there were three scholars marooned on a desert island: a physicist, a chemist and an economist. They had cans of food, but no can opener. The physicist said, "let us drop these cans of food from a certain height, on rocks with thus and so specifications. The cans will open, and we can eat the food." Whereupon the chemist said, "I agree with your overall scientific assessment, but we can do better. We need a chemical solution. Let us heat the cans to a certain temperature, holding pressure constant. Then, the cans will open, and we can have cooked food." Whereupon both these worthies turned to the economist and asked how he could help in their deliberations. Nothing loath, he piped up: "Assume a can opener." In like manner, since I sorely lack the can opener that could ferret out the truth in this matter, I shall make several assumptions about what might have occurred, hopefully they are together exhaustive of all possibilities, and then analyze each of them from the libertarian position.

²⁰See on this http://en.wikipedia.org/wiki/Cargo_cult

they were stone-age type people, and only used the surface of the earth. Gold, or some other precious metals were then discovered underneath their land. The miners, FM in our little saga, then started operations. They did not interfere in any way with the land belonging to these natives. Instead, they engaged in slant drilling: they purchased the neighboring property, dug down under their own land, and then across, reaching underneath the territory owned by the natives. The miners did not in any way disrupt the land above them, owned by the stone aged peoples. And yet the latter objected to the mine; these objections led them to trespass on the area owned by the miners. The U.S. company and or their agents attempted to remove the trespassers. When the latter resisted, they were killed.

Again, the Freeport-MacMoRan company is entirely in the right. It is only under the *ad coelum* doctrine that the native peoples could own territory beneath the surface of the earth that they had never homesteaded. But this doctrine is simply incompatible with libertarian homesteading theory (Block, 1990, 2002A, 2002B; Block and Yeatts, 1999–2000; Epstein, 2005; Hoppe, 1993; Locke, 1948; Paul, 1987; Rothbard, 1973, 32; Rozeff, 2005), and must be rejected.²¹

Here is the third scenario. The primitive tribes were the legitimate owners of the land they had homesteaded eons ago, and worked on ever since. However, the Indonesian government conquered the state that once had ruled over these tribes and protected their land titles, and did not recognize their property rights. Instead, they sold or gave them away to FM, in the hope that this would lead to economic development. Specifically, Indonesia under Sukarno warred against and took over West Papua in the 1960s. Later, under Suharto, the Indonesian government made a deal with Freeport, making large concessions to the latter for mining and exploration in return for partial ownership. The army of this country killed primitive tribesmen who objected to this company setting up mines on what they regarded as their traditional territory.

²¹A similar analysis applies to dumping mine tailings into a river and polluting it. It is difficult to fault a mining company that does this, when such acts are within the law; were it not to do so, it would put itself at a competitive disadvantage compared to all other firms. In equilibrium, it would subject itself to bankruptcy. The fault here is that government will not allow private ownership in rivers and other bodies of water (Block, 1992; Hanneesson, 2004, 2006; Rothbard, 1955, 1956, 1985; Whitehead and Block, 2002; Whitehead, Gould and Block, 2004); if so, then the river owners would sue the mining companies that violated their property rights.

In other words, we have a scenario here that, except for the killing, is indistinguishable from what happened in *Kelo*: the government used eminent domain to seize (steal) the private property of one owner and give it to another (Block, 2006; Epstein, 2005; *Kelo*, 2005; Kinsella, 2005).

Here, finally, FM is in the wrong. Very much so. Land theft is land theft, and it matters not that the victims are stone-age people and/or that the theft took place under color of law. Libertarians are not legal positivists, after all. Again, though, perspective is necessary for a sensible analysis of the situation. For reasons mentioned above, no matter how despicable from a libertarian point of view, this situation does not require of advocates of this philosophy, or anyone else for that matter, to acquiesce in laws prohibiting the purchase of goods made as a result of such land theft.

Hellmer (2005) is quite correct in her view that these charges are by no means limited to gold, copper, Freeport-McMoRan and Indonesia. For example Zoellner (2006, 49) asks. “So, Should You Buy a Diamond?” and answers “Watchdog groups like Global Witness would say no. Eight years ago, Global Witness produced damning evidence of jewel-related slaughter in several African nations.” He mentions “... all kinds of miserable deeds in places like Angola ... where murder and robbery are faces of daily life in the diamond fields.” Roberts and Engardio (2006) make a similar case with regard to China.

Next, Hellmer (2005, 43–44) addresses the issue of land theft, forced labor and coffee in Central America. Again, I agree with her to the following extent. There have undoubtedly been instances, many of them, of violations of libertarian principles. However, it by no means follows, necessarily, that libertarianism requires economic boycotts of the countries where these outrages have occurred, for reasons given above.

Let me end this section on an entirely different note. States Sudha R. Shenoy²²

From the company’s standpoint: it (Freeport MacMoRan) *has* to fit in with the given political environment if it is going to operate in Indonesia at all. That means it *has* to become a “crony capitalist.” The company could not, did not, create this environment. But the company makes an excellent target. Even the *JLS* article (Hellmer,

²²Personal letter to the present author, November 2006. Material in brackets added.

2005) says this is a “free market”—*only* because a private company is involved.

With this insightful comment in mind, I would like to cite an important distinction: that between what I shall now call a “crony capitalist *initiator*” and a “*defensive* crony capitalist.” The former *initiates* government intervention for nefarious purposes. A good example of this sort of thing are those cases discussed in Kolko (1963). Here, business firms went to government and asked for, bribed their way into, regulations that harmed their competitors. Very bad business. An example of the opposite case would be Microsoft. It was pretty much minding its own affairs, conducting capitalist enterprise pretty much compatibly with libertarian principles²³ out in the boon-docks of Redmond, WA. But, it failed to make payoffs to both political parties (Anderson, et al., 2001), and for this “sin of omission: the *Microsoft* case was visited upon it. Whereupon it decided to become a good “corporate citizen” and make pay offs of various kinds and varieties to the powers that be.

In other words, the distinction I am making here is between the holdup victim who is forced to give up his wallet to the gunman (the defensive crony capitalist), and the person who approaches a gangster and pays him off to burn down the premises of his competitor, or his own business, to collect fire insurance (the offensive crony capitalist). Both, in a sense, do something “wrong.” That is, each enables gangsters to better go about the business of rapine and pillage. But, surely, libertarians must treat these cases very differently. Hellmer has not seen this distinction. In the view of Shenoy, Freeport MacMoRan was no more than, in my words, a defensive crony capitalist. When and if Hellmer can demonstrate, to the contrary, that this firm was rather an offensive crony capitalist, libertarians will then have to accept her thesis.

IV. OFFENSE, DEFENSE AND LOGICAL CONSISTENCY

This distinction between offensive and defensive business is crucial. For *every* firm, not operating in the black market, is “in bed with” the government to some degree or other. *All* of them pay taxes, for example, which enables the state to carry out its many and nefarious activities. There is not a company in the world that does not cooperate with the powers that be in terms of keeping records on employees, withholding portions of their salaries for tax purposes, complying

²³If you abstract from issues of intellectual property, that is. (See on this Kinsella, 2001).

with numerous and vexatious alphabet soup regulatory bureaus. Yet, there is nothing in Hellmer (2005) that even claims FM to be an offensive as opposed to a defensive business firm. Yet it is condemned as if it were in the former not the latter category. In this she gives too much weight to the enemies of *laissez faire* capitalism, who oppose *all* business, *per se*.

There is all the world of difference between two different kinds of firms engaged in commerce in a foreign country, whether in Indonesia, South America, the U.K., China, Russia or, yes, the U.S. One type of company, the defensive one, asks for no special favors, subsidies, advantages over competitors. They enter the foreign nation and comply with every single solitary law on the books. That is, with all labor laws, environmental laws, laws concerning property rights, be they ever so non progressive,²⁴ subject to points to be made below.

But then there is an entirely different type of business concern, the offensive one. They bribe foreign officials not defensively, but offensively. They ask for special privileges not open to all comers, to steal land, enslave people, etc. FM has not been shown by Hellmer (2005), or USAS, or indeed, by *any* critic, to fall into this latter category.

What about a “defensive” firm setting up shop in Nazi Germany? Here, I am most tempted to make an exception. There are governments, and then there are governments. Some, like Nazi Germany are so evil that *any* firm opening its doors there, even one that could otherwise be considered “defensive,” we might say, cannot be considered in any way innocent. But this will clearly not do. There were, after all, businesses run by Jews, Gypsies, homosexuals and other non Aryan types of people. To demand that they shut down, lest they be guilty of aiding and abetting the Nazis, would surely be to unjustifiably blame the victim, and with a vengeance.

Should there be a distinction relevant to libertarianism between domestic and foreign concerns in terms of rights to set up and run a business in Nazi Germany, and/or our real target of concern, Indonesia? It is difficult to see any libertarian reason why this should be so. One is tempted, perhaps, to think it worse for an outside enter-

²⁴From the perspective of leftist groups such as the USAS, that is. Their sensibilities simply cannot be allowed by libertarians to compel us to criticize business for acting in this manner. For example, where bribes are an accepted part of conducting business, such firms may pay them, without engendering libertarian criticism. Rothbard (19982, 129–130) condemns on libertarian grounds the bribee, but not the briber.

prise, such as FM to enter a country like Indonesia to take advantage of Suharto's (arguendo) pillaging of the stone aged peoples, than for a domestic firm to do so. But an Indonesian company "guilty" of acting in exactly the same manner as FM would take on precisely the amount of fault, according to the libertarianism. For in this perspective, status matters nothing; only actions count. One might as well assign different degrees of guilt for rape depending upon the ethnicity of the rapist.

Consider once again the *Kelo* (2005) case in this regard. The state of Connecticut abrogated Kelo's and her neighbors' property rights, mainly in favor of the American company Pfizer (http://en.wikipedia.org/wiki/Kelo_v._New_London). Suppose, instead, an Indonesian firm, XYZ, had taken over this property. It is incompatible with libertarianism to claim that XYZ would be more guilty of a private property rights violation than Pfizer, if, relying on *Kelo*, the law of the land, they had become the recipients of this stolen land. Indeed, the only difference between Kelo and the native peoples of Indonesia in our scenario is that the latter challenged the sovereign authority of the state through force of arms, and the former did not. But suppose they had. Stipulate that Kelo and her neighbors, instead of suing in court, had taken up arms against the state of Connecticut to defend their property. Is there any doubt that the government, in this contrary to fact conditional would have treated Kelo and her neighbors in roughly the same manner as did the Indonesian army dealt with those who defied them?²⁵ States Hellmer (2005, 41): "In 1967, Freeport McMoRan moved into the territory and confiscated the land of the Amungme and Kamoro peoples without any consultation or consent by the legitimate landowners..." It is on this basis that her entire case against FM rests. But if so, then she is compelled by the laws of logic to call for similar treatment of Pfizer, under our made up scenario. However, there are thousands of U.S. commercial endeavors that are in *fact* as guilty of abrogating U.S. property rights as FM is in Indonesia, or as Pfizer would be in our imaginary scenario. This sort of thing permeates the entire economy of the U.S. Are Hellmer, USAS and the other "progressives" willing to call for a boycott of the U.S. as they are for Indonesia? If not, why not?

²⁵Evidence for this contention consists of every U.S. reaction to a flouting of its "authoritah" (in the words of South Park's Cartman). This ranges all throughout U.S history from the Whiskey Rebellion to the War of Northern Aggression to Ruby Ridge to Waco.

But is Indonesia under the undeniable dictator Suharto to be considered in the same category as Germany under Hitler? I think not. There are objective criteria on the basis of which such a distinction may be made: numbers of deaths of innocent people caused. Now, every government, of necessity, violates rights. Some murder not at all. Others unjustly kill but mere handfuls.²⁶ Where does Indonesia fall out in this categorization? Nowhere, that is where. According to the experts on such matters,²⁷ they are not even real players. Of course, own citizen murder is only part of the issue; there is that little matter of unjustly killing foreign peoples, to consider, too. Here, again, dictator Suharto is not even on the map, at least compared to the “big boy” governments.

And who is it that is at the very top of the list in this regard, at least as of the present writing (2007)? Why, it is none other than the good old U.S. of A. I therefore call upon Hellmer, the USAS, and all other “progressives” to set up a boycott against the export of the products of U.S. “sweatshops” to foreign countries. They should leave off trying to undermine capitalism by attacking pygmies in the murder sweepstakes, such as poor old much (relatively) maligned Indonesia under Suharto and Sukarno, and a bunch of other tin pot despots in Central and South America, and take on, instead, the real international bad boy, the U.S.

Of course, during the heyday of Hitler, there were even *worse* governments than that of Germany. The U.S.S.R. led the pack in terms of the extent of mass murder, with the Berlin house painter a long way back in third place. Where were the “progressive” leftists of the day in terms of boycotting the exports of the two leading countries? To ask this question is to answer it. The same type of selective criticism seems to be in operation in the modern day as regards opposition to sweat shops.

V. CONCLUSION

Hellmer’s (2005, 45) utilization of Bastiat’s “immediate and visible” vs. “secondary effects” and application of them to her criticism is

²⁶I offer another criterion besides number of murders. If a state will not allow emigration, it is a vast jail and is consigned to a lower level than otherwise. Cuba, even did it not murder a single solitary soul, which is not at all the case, would thus fall into this category of super vicious governments. And yet where are the leftists who oppose the sweat shops of that island nation?

²⁷Courtois, et al. (1999), Rummel (1992, 1994, 1997), Conquest (1986, 1990).

nothing short of brilliant, if I may be permitted to brag about a former student of mine:

We could apply this reasoning in reverse to an evaluation of social justice movements: the difference between a good analyst of justice and a bad one is that the former is aware of the primary causes of a bad situation, whereas the latter only sees and seeks to redress the secondary effects, without realizing the primary cause of the situation. In the case of sweatshop and agricultural labor in the developing world, for example, demanding higher wages for the working poor may have negative secondary effects which many activist groups do not consider, and do not seek to redress the primary cause of impoverishment. The demands for corporate social responsibility seek to redress the role of corporate complacency in contributing to the destitution experienced by many in the world, but is ultimately an oversight of the ultimate cause of this situation, which is government exploitation and lack of respect for personal and property rights.

Her analysis, here, of the flaws of “the social justice movement” is bang on. Surely, the libertarian emphasis on the distinction between coercion and voluntary behavior is crucial; in fact, it is the most important insight in all of political economy. She has well learned her lessons. Unfortunately, virtually no one in the “the social justice movement” sees this point.

However, I am unable to accept her public policy recommendations when it comes to the latter case: land theft, forced labor, etc. Yes, these things occur, they are deplorable, they violate the very essence of *laissez faire* capitalism. Sometimes, boycotts might do some good; that, as I claim, is an empirical issue. But Hellmer maintains that it is incumbent upon all libertarians to always support them (when they are properly aimed at violent aggressors), and that when libertarians oppose such actions, they are acting incompatibly with their own principles. Not so, not so.

Under the libertarian legal code, of course, everyone is free to boycott anyone else for any reason, or for no reason at all. But libertarians are not rendered inconsistent with their own basic premises on the grounds that they refuse to support such efforts, and even argue against them.

Hellmer (2005) is a good paper. No, it is an excellent one. Its main virtue is that it sees the “progressive” USAs’s concern with paying “low” wages and offering “poor” working conditions for the fallacy that it is, and slices through this silliness to the really important underlying libertarian concern: the initiation of violence against non aggressors. But, I contend, it does not deep enough into the very essence of libertarian theory. Yes, this is indeed a horror. But, logical

consistency requires that if a country such as Indonesia should be boycotted for such rights violations, then one that initiates aggression on an even more massive scale, the U.S., should be punished even more severely. This paper not only does not deal with this issue, it does not even recognize it for the problem that it is.

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