

Capitalist Pigs:

The Wealth of Nations and the Wealth of Farmers

John C. Médaille

To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects.

Adam Smith, *The Wealth of Nations*

Woe to you who join house to house, who connect field to field, till no room remains, and you are left to dwell alone in the midst of the land!

Isaiah 5:8

Introduction

Those who would defend Capitalism, especially in the form of "Big Business," often do so in the belief that they are defending the free market, terms which people use interchangeably, as if the one was the other, as if capitalism and freedom were the same things. Capitalists especially hearken back to Adam Smith's great treatise, the *Wealth of Nations*, and smile at the seeming naiveté of those who would try to tamper with its inexorable laws, laws which somehow, they believe, dictate a capitalist system. Now few, this side of socialism, would dispute that free markets are a good thing, just as freedom is a good thing, when it really is free, and not merely license to interfere with others. But if freedom is the "freedom" to deprive your neighbor of his freedom, and especially of his livelihood, then we should call it by its proper name, namely tyranny, and we should be free to call it this whether the limitations on freedom are imposed by a government tyrant or by a corporate one. And this is the case with capitalism, at least in its "Big Business" mode; it is not the advance of the free market, but its retreat in the face of the tyranny of

those with the power to control the market, a power usually won with the connivance of government subsidies and regulations, to the detriment of the public and the profit of none but the few. Not infrequently, the public is required to subsidize its own ruin.

This problem was not unknown to Adam Smith. In fact, the bulk of the *Wealth of Nations* was a polemic against just the sort of market domination aided by government subsidy that we see today. Smith's interests were not in "capitalism", a word he does not use, but the freedom of markets and the freedom of men, even men of modest means, to operate in that market. Moreover, Smith proposes a model of economic organization that recognizes the land and its workers as the basis of the *Wealth of Nations*, a wealth he firmly roots in the freedom of farmers, and other small entrepreneurs.

Now some will find this claim both too strong and too broad; they might find the freedom I speak of too much of an ideal to be practical. They convince themselves that they are practical men, living in the "real world" as opposed to "idealists." But if one is going to claim the real world as a justification, one should occasionally

look at the world as it really is; if one is going to extol the virtues of freedom, one should occasionally look at the world to see if it is really free, and especially to see if the “free” market has anything of freedom about it; and to judge the case, one must get down to cases. The case I would like to deal with here is the case of the Capitalist Pigs; not the men, but the pigs themselves, because recently the munificent benefits of industrialism have come to pig breeding, which is now no longer a business or a way of life, but a Big Business, an “industry.” This affords us the opportunity to see whether these industrial pigs have benefited either man or beast, or merely made men more like beasts.

The Price of Pigs and the Price of Pork

To put the case briefly, there is an oversupply of pigs. Normally this is a matter of little concern to the general public, distressing as it might be to the men who raise pigs. Markets are dynamic; they do not seek a perfect harmony between supply and demand, nor should they. They merely seek to adjust these differences when they occur so that the situation does not get too far out of hand. And when it does get too far out of hand, then one must conclude that either the free market doesn't function with the efficiency that Adam Smith envisioned, or that the market isn't free. In the case of pigs, the situation is badly out of whack. Last year, pigs were selling for between \$.50 and \$.60/pound; today they are selling for \$.10/pound. The farmers' break-even point is \$.39/pound. This is an unfortunate situation— for the farmers— but one would expect at least some benefit to the general public, in the form of lower prices for pork. But if one

expected that, one would be sadly mistaken. The price of pork in the supermarket has in the same period declined hardly at all, from an average of \$2.35/pound to \$2.30/pound, a mere nickel reduction!

Is it not curious that the price of pigs and the price of pork seem to bear so little relationship to each other, given that pig and pork are otherwise very well related? It would seem that either Adam Smith got the whole thing wrong, or that the pig market is not a free market. In a free market, the pig producers' pain is the public's gain. The oversupply should drive down the price of pork, causing people (and especially the poor) to switch from other meats to pork, thus driving up demand and restoring the balance, and the price along with it. The thrifty housewife aids the farmer; her choice to buy the lower-priced meat increases demand for the hard-pressed farmer's product and as the demand increases, so should the price. The oversupply of pigs should also have another effect: it should cause farmers to produce fewer pigs, thus lessening supply and raising prices and the pigs they do sell.

Adam Smith's "Invisible Hand"

This back and forth process of adjusting supply and demand by price is known as the “invisible hand,” a term for which Adam Smith has sometimes been accused of a sort of mysticism, relying on what cannot be seen. But what is so peculiar about this invisible hand is that one sees it all the time. One can see it in the supermarket every day by watching shoppers compare prices. One sees it when businesses make investment and production decisions. For something invisible, it is something

almost impossible *not* to see. In fact, when we *don't* see it, we assume something very odd is taking place. But in this case, we do not see it. The thrifty housewife cannot help the hog farmer because she does not know that he has a problem; the only way she could know is if the prices started to fall, but the price of pork tells her that the price of pigs is just fine.

But it is not fine. Not fine for the farming families, who stand to lose their livelihoods and perhaps even their farms. Not fine for the public, which receives no benefit from the falling pig prices. But that is not the end of the story. It is not just that the public has to pay higher prices for pork; they must also pay huge subsidies to the people who created this situation. For if the market isn't free, then it is controlled, and it turns out that it is controlled by a combination of government subsidy and corporate greed.

How does this situation come about, a situation the reverse of Adam Smith's free market where prices reflect production costs? An ABC News story (December 28, 1998) blamed the "Global economy," but while this is a convenient explanation, it cannot be the story, certainly not the whole story, for that would just mean a drop in demand, the kind of thing that markets can deal with. And it would not explain the failure of pork prices to fall. Instead we have a market where lower production costs leads to steady if not higher prices. The same amount of money is therefore going into the business, but a decreasing share is going to the farmer. So who is gobbling up the rest? The answer is the industrialized pig.

Big Business and the "Free Market"

Imagine a barn with a 1,000 pigs crowded as closely together as possible standing on slated floors below which is a trough to collect the wastes. The waste is periodically flushed into a cesspit. Above the pigs exhaust fans pump out tons of pungent ammonia and hydrogen sulfide mixed with tons of grain dust and fecal matter. Now imagine 40,000 pigs in 44 such buildings. What you have is not a pig farm but a pig factory. In fact, what you have is the Seaboard Corporation pig factory near Guymon, Oklahoma, and others just like it. One notes that this cannot be pleasant for the pigs, which die at an alarming rate. But the origin of inhumanity to animals is almost always inhumanity to man; we learn to treat pigs like beasts by treating men like pigs. And the people who live near these factories do live like pigs, with windows stuffed with pillows to block out the smell, and gas masks when they need to go outdoors.

The environmental hazards deserve scrutiny by themselves, but here we are concerned mainly with the market consequences. Peter Annin notes one of the consequences:

"Behemoths like these have already sparked controversy for their horrible odors and environmental costs, but they also played havoc with the marketplace. Such giant farms are expensive to build and operate. [These producers] have too many fixed costs to cut production when prices plunge— so they just keep churning out piglets."

In other words, the big producers are too inflexible to vary production in response to the market, and must keep producing whether there

is a market or no. If this is true, then it would be an example of businessmen doing something very foolish: building a production system that has no relation to the market. As such, you would merely expect that they would one suffer the consequences of their folly, but that there is no public issue involved, and certainly no issue that threatens freedom.

However, the corporation that has built a system that cannot respond to the market has another defense: it can make the market respond to the corporation. By overproduction, Seaboard and a few like it can flood the market in hopes of drowning out all the small and medium size producers. With such independent competition eliminated, they would be free to set prices and production. They would be able to dictate the price to the packing houses, or even build their own packing houses (as they are in fact doing) and dictate to the distributors and supermarkets, and ultimately to consumers. "If you want pork," they can say, "you must come to us." What these factories give them, along with an awful lot of pigs, is an awful lot of power, power to control the market.

This *is* an issue for the public, for it represents the end of the free market, for a controlled market is the opposite of a free market. It means that the consumer is deprived of choice, the farmer deprived of home and hearth, and all deprived of freedom. No doubt the industrialist would respond that just because somebody has found a better way to raise pigs, there is no need for public outcry or government action. Ignoring entirely the moot question of whether this really is a better way to raise pigs, we can ask if this is compatible with the free market, and if

not, is it compatible with a free nation? For if the factory "farms" are too over-capitalized to respond to the market, there can be no free market. Either the market must destroy the corporation, or the corporation must control the market. And if it is being done deliberately to drive out the small producers, then it is an exercise in tyranny. But, deliberate or not, the small and medium sized producers are being destroyed.

But perhaps the worst part is that the farmers, along with the general public, are being asked to pay for their own destruction. The *Time* article documented over \$100 million dollars paid to Seaboard Corporation by Federal, State, and local governments. And this is all for just *one* company involved in this process. Seaboard, and companies like it, courted cities and states with promises of jobs in return for cash benefits. Towns and cities that should have been looking after the interests of the surrounding countryside paid millions to the very people who were destroying a way of life and a viable economy. It is worse than asking the condemned man to pay for the noose; it is asking him to pay for judge, jury and executioner, and to confess to a crime he didn't commit.

Sometimes, after collecting the money, Seaboard simply packed up the packing house and left. Other times, the "jobs" they created caused the communities more problems than they were worth. The jobs paid so little that workers had to be recruited in South and Central America, housing wasn't available at a price they could afford, and the crime rates and school problems skyrocketed. One can understand the plight of the cities that paid so much to increase their own misfortunes. The industrialization of farms has denuded

the countryside and left rural cities begging, literally, for development— any kind of development. As it turns out, they only thing worse than not getting developed was getting “developed.”

These monopolies and oligarchies have been the result of government action. They are permitted to happen because somebody has the power, derived from the accumulation of wealth, to access the public purse. By giving huge subsidies to some producers, plutocracies and monopolies are the inevitable result. Indeed, if one wishes to set out to control a market, the first investment should be not in equipment or plant or anything productive, but in politicians; in most cases, real control is impossible without political support and the public's money. But even if these oligarchies could happen without government help, should they be allowed to flourish? Should vast market power be allowed to accumulate in the hands of a few, with or without government support? This much is clear: the free market can tolerate neither monopolies nor oligarchies. Control of the market in the hands of a few is the opposite of a free market. The ability of men of modest means to earn their living independently is destroyed, and everybody reduced to working for wages, wages which are increasingly at the mercy of a global competition pitting our workers against the poor of the world, themselves powerless victims of unrestrained greed. Ways of living that have survived for generations are destroyed without the public deriving any benefit. In fact, they derive only their own subjugation.

The Wealth of Nations and the Wealth of Farmers

This situation of government supported businesses displacing the farmer, craftsman, and shopkeeper was not unknown to Adam Smith; in fact, it was the main target of his book. The mercantilist system was a combination of private capital and public subsidies and privileges which is the inevitable result of the concentration of wealth. That is to say, it is the inevitable result of capitalism and unrestrained competition. Modern capitalism, especially big business, or transnational business, most resembles this mercantilism, and will require a new Adam Smith to overthrow it. More importantly, it will require a realization on the part of the public that free markets are not the same as big business, that these are in fact opposed things.

Adam Smith, however, did not merely rail against the abuses of the manufacturers and traders and their reliance upon government subsidy and privilege, he proposed an alternative based upon two points: “natural” liberty and the natural productivity of the land. The system of natural liberty presupposes a free market in which all are equally free to compete. He constantly warns us against combinations which restrict the free market. As opposed to the mercantilist system, he proposed the system of “political economy” or free markets. These are ideas he derived from French thinkers, mainly Quesnai, who divided all workers into three classes: landowners, farmers, and merchants and manufacturers. The French considered only the land and the farmers productive; the merchants and manufacturers were labeled “convenient” but unproductive. Smith disagreed with the French in calling

manufacturers unproductive, but he did agree with them that the farmer was the most productive element in the wealth of nations. "This system [of Quesnai]," he said, "with all its imperfections, is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of the political economy." Speaking of the mercantile system, Smith says "That system, by encouraging manufactures and foreign trade more than agriculture, turns a certain portion of the capital of the society from supporting a more advantageous, to support a less advantageous species of industry."

Whether or not one agrees with Smith that the wealth of nations has its origins in the wealth of farmers, it is evident that he cannot be used to justify the rapacious policy of government subsidy and market control. And it is just as obvious that we must recognize controlled markets for what they are: the opposite of free markets and the enemy of liberty, especially the liberty of men of modest means to make an independent living. The system of free markets depends on competition between free individuals. But insofar as competition is a game, it is important that no one actually "win"; if someone "wins", everybody else loses, the game ends, and the freedom of the market along with it.

The Retreat of Freedom

The capitalist pigs, or at least the pigs who are under the care of capitalists, stand sliding in their own wastes, with little room for movement. Their keepers are no longer farmers, but hired hands, often hired from a great distance, and paid so little they live little better than the pigs they tend, and like those pigs, they have little room (or

hope) for movement. This is not a story confined to raising of pigs; rather it is a story repeated in hundreds of businesses. Shopkeepers have been replaced by giant retailers, small manufacture by vast conglomerates. Every day we see the mergers and mega-mergers take place while the federal regulators look the other way and more and more power is concentrated in the hands of fewer and fewer people. Politics has become a struggle between interests too vast and large to involve the ordinary citizen, who becomes, more and more, merely the object of spin doctors and controlled news, while the public purse becomes more and more a private preserve for those with power. More and more, society is falling into two classes: the oligarchs and the wage earners, with one class living entirely by the dispensation of the other. It may be a bountiful dispensation, or not, but it is not freedom.

Field has been joined to field, and 1,000-pig barn to 1,000 pig barn, barns paid for at least partially with public dollars. It is a story familiar to many who once worked the soil; the countryside becomes depopulated, its once rich economic and social life gone. The farmer is driven off the land to be piled up in cities. One might even say, piled up like pigs.