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Here it Comes Again! ***New Real Estate*** ***Bubble Looms*** ***Farmland Casino*** ***Roars into Life***

By Bill Hatch*Merced, California*

Investment groups fleeing the stock markets are investing in farmland, including irrigated California farmland. Finance, insurance and real estate corporations have been discreetly buying and holding agricultural land for decades in the California Central Valley. Almond orchards and vineyards are good places to park money to wait for the next expansion of urban slurb. When the Enron/dotcom market crashed, California real estate, with its low property taxes, rapid growth and weak governments, was a very attractive investment. As a result, five or six county seats in the San Joaquin Valley have made the top ten for residential foreclosures for the last several years. But the players in this particular game may be farming the tax code more than the land and crops.

In any event, what finance now sees as an investment, which is safe relative to the stock market, will soon turn into one more real estate casino.

Here are some likely consequences of a major increase in outside-investor control of agricultural deals in California:

- Increasing overproduction of nuts, fruits and grapes, thus depressing commodity prices;
- impacts on water: more, larger wells driving down the aquifers for real farmers;
- increased, sophisticated, well-funded political pressure to destroy the San Joaquin Delta for the benefit of irrigated agriculture;
- salts increase speed at which farms

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Magical Thinking and the Suspension of Disbelief

The “Peace Process” Hits New Low in Grim Absurdity

By Kathleen Christison

The unreality surrounding the latest attempt to restart the so-called peace process between Palestinians and Israel has been something to behold – another breathtaking example of Washington’s penchant for policymaking by wishful thinking. As with cargo cults, commentators and administration officials are peddling a positively magical version of optimism: if you build it, they will come.

Former Clinton-era policymaker Martin Indyk, in a Pollyannaish op-ed in the *New York Times* a few days before the talks began at the start of September, actually called for a suspension of disbelief to allow U.S. diplomacy the time to put Palestinians and Israelis to the test. The tests he would have them meet, both apparently quite simple in his mind: Palestinian President Mahmoud Abbas should concede the right of return, the Palestinians’ most fundamental demand going to the root cause of the conflict, and Israeli Prime Minister Benjamin Netanyahu should agree to withdraw from 95 per cent of the West Bank and allow a Palestinian capital in East Jerusalem. Dream on, Martin. Continue to comfort yourself with the blithe assumption, against all evidence, that either Palestinians or Israelis will so easily give up their most basic red lines.

Indyk might actually not be far wrong in believing that Abbas is prepared to concede the Palestinians’ right of return or is ready at least to water down the demand – enough to render it meaningless – as far as any actual redress is concerned for Palestinians who were dispossessed in 1948 to make way for a Jewish state. But any assumption that a peace agreement

based on such a concession would be acceptable to most Palestinians is a fantasy. Most of Abbas’ constituents and the millions of refugees languishing in camps around the Arab world would regard any casual concession of this most fundamental demand as a grave and ultimately deal-breaking injustice. Abbas is already very unpopular among Palestinians and is roundly and quite openly criticized for holding power illegally, for cooperating too closely with Israel, and for an overeagerness to accommodate U.S. demands. He would not be able to convince Palestinians that they had not been betrayed were he to accept a peace agreement that ceded the right of return.

Indyk is also living in fantasy if he believes the Jewish state, and particularly its most stridently right-wing government, is ready to relinquish its dream of Greater Israel and, indeed, wants any kind of peaceful, land-sharing arrangement with its non-Jewish subjects and neighbors. The *Times* issued its own magical editorial a few days later. “If Mr. Abbas is engaging in serious direct talks,” said the *Times*, “Mr. Netanyahu should have no excuse to resume [settlement] building.” As simple as that. As if Netanyahu has ever needed an excuse to continue settlement construction. It shouldn’t have to be pointed out that Abbas and his predecessor have been engaging in serious talks, direct and indirect, for years, since the Oslo process began 17 years ago, and this has not only failed to induce Israel to stop settlement expansion but, in fact, served as the cover for a massive increase in construction, leading to a doubling of settlers and settlements in the 1990s, precisely during the years of most intense negotiations.

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salt up to the point they cannot be farmed;

- expansion of orchards and vineyards onto seasonal pasture on both sides of the Central Valley, from Tehama to Kern and Butte to Tulare counties – thus reducing groundwater recharge areas and destroying habitat for federal and state-listed endangered species of flora and fauna;

- managers of agricultural operations of the size that attract large pools of investment funds – for example, the Kern County-based 30,000-acre operation mentioned recently in the *Los Angeles Times* – are not and cannot ever be as efficient as owner-operated farms. It frequently happens that the investors, rather than land and crops, are being “farmed”; the greater the amount of farmland under control of oversized agribusiness managers, the less efficient the farming operations are overall – a point made by J. Russell Giffen during the 160-acre-limitation battle in the late 1970s. Giffen was one of the largest farmers on the west side of the San Joaquin Valley, when the last battle to enforce the conditions of the Reclamation Act of 1902 was fought and lost by small farmers and their supporters;

- land ownership will become more concentrated and farmland prices will rise; both factors will make entry into

farming by real new farmers more difficult.

The game will be played essentially as it was in residential real estate. It will be a casino. Hedge funds will buy farms to “flip” them as the farmland prices rise, and seek, totally rationally, to do anything and everything to avoid being caught in the musical chairs game when the farmland boom busts. Thousand-acre agricultural parcels will be flipped like McMansions were a few years ago.

However, there will be differences. Urban development, braying the slogan, “Development pays for itself,” constantly ripped off municipalities. Contemporary real estate booms leave cities in their wakes full of frightened, demoralized residents, rising unemployment and crime rates, tent cities on their peripheries and extremely austere municipal

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and county budgets. The coming farmland casino, at least in the San Joaquin Valley of California – already gutted by one wave of real estate speculation – will demand not more streets and roads but more water. The irrigated farmland casino of California will be a bonanza for state and federal lobbyists, who will get a whole new class of clients with deep pockets and a giant thirst for the public-trust and public-funded natural resources of California. Since more than 70 per cent of the state’s developed water goes to agriculture, this new bubble will inevitably add more weight to the technocratic doctrine of Western water established by President Herbert Hoover: “Every drop of water that runs to the sea without yielding its full commercial returns to the nation is an economic waste,” echoed at the time by Joseph Stalin’s maxim that “water which is allowed to enter the sea is wasted.”

We can hardly wait to see how the financial geniuses of America are going to slice, dice and securitize farm own-

ership in the nation, following folks on Wall Street that are “tranching” their mortgages. When the land values rise to irresistible levels, around here in the San Joaquin Valley, we will lose the last generation of farmers and ranchers who actually know how to farm and ranch on this land. They’ll cash out and go elsewhere, creating a miniboom in agricultural land values wherever they come to rest. It happened here already about 15 years ago, when Southern California dairymen, whose land values increased to the point where it was insane not to sell, sold and bought dairies ten times as large in the San Joaquin Valley.

Valley farmland owners will shuck and drawl and count the money. As it was true during the urban boom, early sellers will make a lot of money. Politicians at all levels in the Valley will welcome the investment and dispatch press releases about the new prosperity. State and federal environmental groups will remain silent, and, if not, judicious contributions will flow their way. Anyway, they have enough to do, protecting the Sierra and the coast. Besides, the politics and economics of irrigated agriculture are barbaric. The *New York Times*, at the behest of banks and investors, will write more stories about the terrible lack of water for agriculture in California, including interviews with yeomen cotton merchants and drugstore farmworkers from central casting.

A handful of Valley grassroots groups will fight the new casino in farmland, because it is their homes that will be affected and because they are just too simple-minded to understand that the rich don’t have a god-given right to get richer at the expense of the natural resources and political economy of their state.

A free-market society is committed, wholeheartedly and by tooth and by nail, to three fictitious propositions: that there is a free market in land and natural resources, a free market in labor, and a free market in money. At some point, the pain level in the society will cause some questions to be raised regarding these fictions, but that level has not yet been achieved. As Aeschylus put it some time ago, “Through suffering alone will we grow wise.”

One could add, with reference to the Great Depression ... again. **CP Bill Hatch** lives in Merced. He can be reached at wmmhatch@sbcglobal.net

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