Power and Property

By Bob Fitch
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Power and Property is tonight's subject. How are they connected? Regularly and intimately of course. But more concretely, and more immediately, I want to examine how urban power elites – especially those in the FIRE industries –(that's "FIRE" as in finance, insurance and real estate) -- created the conditions in the property market that led to the present global meltdown.

First, we'll examine Henry George's model of economic crisis; then we'll use a revised version of that model to explain the Crash that began last August. Finally, we'll look at a microcosm: the political actions and alliances of Barack Obama to see how the nation's biggest central city real estate bubble was pumped up.

George had a theory of property. He explains how land monopoly and property speculation drive the boom and bust cycle.

Obama, and the FIRE elites who form his power base in Chicago, had an urban planning strategy.

They used massive public housing demolition and population transfer to generate an unprecedented condo and townhouse boom on the south side of Chicago – where the largest single concentration of African Americans in the U.S. lives. It was a displacement that not only transformed the historic black belt which had existed in Chicago since WWI. It also ignited a local housing bubble of unprecedented force and destructiveness. But Chicago's clearances were not unique. In cities like Newark, Baltimore, Atlanta, Philadelphia, New Orleans, and San Francisco, FIRE elites demolished and privatized public housing, generating a central city housing boom. Feeding the boom was a kind of reverse red-lining of credit especially for blacks that supplied the bubble with the oxygen of almost unlimited mortgage capital. The destructive forces produced when the bubble burst, spread from the housing market to financial markets, where after virtually destroying "the shadow banking system" [1] they've moved on to the credit markets, causing paralysis and panic, creating conditions for a general depression – perhaps comparable to the 1930's, or the 1870's.

Readers of Progress and Poverty know that George was one of the first to develop a theory of business cycles. This effort branded him as they say nowadays a maverick, a dangerous radical. This is because the existence of business cycles is to orthodox economics what the existence of dinosaur fossils is to orthodox Christianity: an inconvenient truth. The fact of fossils suggests our world was not created once and for all in seven days 4,000 years ago complete with Adam and Eve and the talking snake. It evolved.

The free market gospel of self-regulating markets is contradicted by the fact of business cycles – these cycles of boom and bust are not just benign up and down, wave-like, movements like the temperature changes of the seasonal cycle.

Periodically, the capitalist system is shaken by a sudden bursting of asset bubbles; producing a financial crisis which tests whether the entire system will shut down. Asset bubbles represent the overproduction of assets in the FIRE sector. They are often pumped up by monetary laxity; but, in their formative stages, the bubbles are the result of overproduction in normal, productive channels: in the consumer and producer goods industries. What's happening is that real capital can no longer be reproduced at the same rates in the industrial economy, because it would depress the rate of profit. To take just one example, in China, auto makers have built too many factories; producing too many cars; capacity is double demand. A top Chinese official was quoted three years ago in the Chinese Securities Journal as saying, China must " avoid large scale investment in the auto industry." [2]

So the surplus trillions in Asian industrial capital flow into the U.S. FIRE sector where it is transformed into fictitious capital – paper claims on wealth.[3] It is easier to produce claims on wealth than wealth. A home loan than a home. To produce a house takes hundreds of people and thousands of hours, but it takes only one person to produce a mortgage in a fraction of a second with a single keystroke. A whole shadow banking system of hedge funds, SIV's, investment bankers and mortgage brokers springs up to mass produce bad mortgages. Naturally, the ratio of claims on wealth to wealth gets seriously out of hand. So everyone who has a paper claim can't be paid. We're not Iceland where bank assets are 9 times GDP.[4] Iceland is bankrupt. But in 2005 our financial assets hit $47 Trillion – nearly four times GDP. [5] Finally, pushing us over the precipice, the paper claims – stocks, bonds, exotic mortgages, credit default swaps, mortgage backed commercial paper –serve as the basis for mind-bogglingly complex and risky leverage games which inevitably end badly: in deleveraging, forced sales, and insolvency.

With the collapse of the FIRE sector – the mundane role of the financial sector– which is to supply the real sector with credit – is impaired. The goods producing firms – which were already struggling with overproduction -- can't survive without credit – they lay-off workers. Consumption falls and the death spiral follows.

The mass extinction of fictitious capital is tragic, but it is also necessary for the system to re-boot. There are two pre-conditions: first the proper ratio between wealth and claims on wealth has to be re-established in the FIRE sector--– which may mean reducing the financial assets to GDP ratio from 4:1 to 1:1; Second, the conditions for profitability in the real economy have to be restored – by shrinking the amount of real capital – shutting down factories, reducing inventories, laying off workers – both here and in China. With ordinary bubbles, this process takes a year or so but in cases of giant bubbles, sometimes ten years or more. Only then do we see the screen light up and the familiar icons reappear.

In George's time as well as ours, orthodox economists denied that capitalism was subject to regular, crippling, system-wide shocks, for systemic reasons. They teach that crises tend to be either mild, or temporary or confined to local markets; or if the damage is undeniably general, lasting and disruptive, they argue that we're dealing with extraordinary destructive events caused by non-market actors outside the system. The co-founder of modern microeconomics, Stanley Jevons, remains a partial exception. He recognized the seriousness and regularity of business cycles but he insisted they were caused by sunspots. [6]

Today, the two great schools of free market theology – the Chicago and Austrian Schools– allow that the Great Depression happened but both insist it was not an instance of the capitalist boom and bust syndrome – but rather a great singularity brought about by the talking snake – the devil in the form of a Federal Reserve official. Chicagoans say it was the inept successor of the wise New York Fed Governor Benjamin Strong, who choked off the money supply after the '29 crash when they should have expanded it. The Austrian Gospel also blames monetary officials but for producing too much money in the 1920's – setting off an inflationary boom that led to the '29 Crash. The Viennese blame Benjamin Strong. The Chicagoans blame the death of Strong.

The premises of both contemporary schools are foursquare with the reigning orthodox economists in George's time, like J.S. Mill, who taught that there could be no general over-supply of commodities or glut of capital. Just as creation was governed by God's Law, the divine harmonies of the markets were governed by Say's Law. The complacent Victorian ancestor of Reagan era "supply side" economics, its proponents taught optimistically that general gluts were not to be feared: if a temporary oversupply did materialize, all the producers had to do was lower their price; there was always a buyer for every seller if the price was right.

But then, in 1873, came what was called, "The Great Depression." At least until the nineteen thirties when it was renamed "The Long Depression." The '73 crisis began like the current one, in New York in September with the collapse of a Wall Street investment banking house. Jay Cooke & Co, had financed a railroad boom that set off an epochal California real estate boom which subsequently collapsed.. A wave of banking failures followed. Credit markets seized up. The Treasury Secretary intervened, supplying $26 million in to revive bank lending. But prosperity didn't return fully until the mid-1890's.
While unemployment rose relentlessly, topping off at 16%. And class struggle went off the charts, culminating in 1877 with America's first and last general strike.

George, a San Francisco journalist, got on the story, publishing Progress and Poverty in 1879. Prior to George there had been other non-professional economists – most notably Karl Marx -- who tried to explain business cycles rather than explain them away. But George was the first, I believe, to explain depressions in terms of real estate speculation and land monopoly. That effort makes him our contemporary in facing the present crisis, in a way that many contemporary economists are not. The Chicago School even denies asset bubbles are possible --they're ruled out because of what Chicagoans call "the efficient markets hypothesis" -- market prices can't deviate wildly from underlying values because they contain all the information that investors need to know to make a rational decision. [7]

Former Fed chairman Alan Greenspan is a faithful student of the Chicago School, "I would tell my audiences," he recalls in his 2007 best-seller Age of Turbulence," that we were facing not a bubble but a froth –lots of small local bubbles that never could threaten the health of the overall economy." [8]

Nor do mainstream economists build land into their models of the economy. Not even John Maynard Keynes who broke with orthodoxy in so many ways, rejecting Say's Law, warning against the danger of asset bubbles, comparing Wall Street to a casino, and even developing a model of the business cycle. Why not recognize the immense potential for land-based asset bubbles to destablize the system? Obviously not all asset bubbles are real estate bubbles. But the real estate market has been a recurring and prominent source of volatility. Of the three greatest depressions in history --'73, '29 and '08 -- each followed by two years the bursting of a giant real estate bubble. Following the '29 crash, 40% of all U.S. mortgages would go bad. A bubble in real estate harbors this potential for triggering disaster, because of the relative importance of the housing sector in the overa-all economy and the relative importance of fictitious capital in housing capital. Housing consumption is the largest item in the consumer budget now constituting over 40% of the CPI; and land costs can approach half or more of building costs.[9] Yet Keynes goes out of his way to deny that George has anything to contribute to cycle theory. [10]

Land monopoly and speculation operate at the center of George's model of economic crisis. The collapse of Jay Cooke & Co. was nominally brought about by collapse of a railroad boom. George saw that the railroad boom was not just a matter of overbuilding of railroads; but was ultimately a matter of speculation in land. Cooke's Northern Pacific – like other roads --had received huge swaths of land from the federal government. Land prices rose in anticipation of the coming of the railroad. Cooke managed to drive prices to manic levels by his invention of the California Banana Belt – where purchasers would get rich cultivating the golden fruit in the golden state.

But banana plants don't grow to the sky. What stops the speculative run-up, explains George, is land monopoly, that is, high prices of land which eventually squeezed wage earners and business owners when speculation hits the Ponzi stage. In George's words," speculative advance in land values cuts down the earnings of labor and capital (which is_ the main cuase of those periodical industrial deperessions to which every civilized coutry …seem(s) increasingly liable." [11]

His reasoning is simple. The land must rise in value because of mounting demand, fed by improving technology and expanding population. But the supply of land is fixed. So the price rise in real estate creates a bubble – more people buy with the anticipation that they can sell later at a higher price. The rising prices create an illusory wealth effect –as speculators borrow against the increase in value of their fictitious capital. Consumption and investment thrive. But then the wage and profit boom is choked off by the fixed supply of land.

To understand our present crisis however, and to set up our analysis of the role of Obama and the FIRE folks in the Chicago real estate microcosm, I want to tweak George a bit. Any model of the cycle ought to retain his telling insight into the way land speculation can feed an unsustainable boom in the rest of the economy. And he's right to emphasize the importance of land monopoly as a business cycle regulator.

There are a couple of problems, though, with George's account –both of which stem from his static understanding of land monopoly – his insistence – following Ricardo and classical political economy -- that the supply of land is fixed.[12] And that the restrictive effects of land monopoly increase over time. (Which Ricardo also taught.) The first problem is empirical – the theory doesn't correspond to key facts. The second is theoretical – the explanatory logic won't hold up.

The empirical problem is that– despite deeply ingrained popular belief that land is the best investment in the economic universe – after all God made only so much of it -- housing prices show no tendency to increase over time -- at all. How can land prices go up if housing prices don't go up? Well, houses could grow smaller. But as we all know, they've gotten bigger with the McMansion syndrome illustrating the trend in housing size. That trend is illustrated by Robert Shiller's U.S. housing price index. Between 1895 and 1995, there was no secular increase; then, between 1995 and 2005 prices went up 100% before starting their precipitous fall. [13]The Herengrach Index goes back even further --to the 17th c. Compiled by Professor Piet Eicholtz, of Maastricht University, it shows that from 1620's to the present decade, prices along the Herengrach canal have fluctuated cyclically; using 100 as the base they've risen to over 250 and then fell to the' thirties. But the prices don't show any secular trend. Discounting for inflation, a house on the Herengrach today costs about what it did in 1620's.[14]

Second, the theoretical problem with the assumption of land supply fixity is that George can explain what checks the booms; but not what starts them. Cycles are self-re-enforcing ups and downs in things like investment, profitability and employment. You don't have a cycle theory if all you can do is explain what brings them down. You have to be able to explain why investment goes up in the first place; and what causes revival after the collapse. And if land monopoly is constant – if its effects are always to worsen things, squeezing of labor and capital, how could there be repeated real estate booms?

For a speculative mania to get started there has to be a "displacement" [15]– an event that temporarily cripples the land monopoly, making new land available, lowering housing costs, allowing new purchasers to buy houses heretofore beyond their consuming range.

Historically, the most important sources of displacement in the real estate market come either from the application of new transportation technology or from additions to the existing transportation grid. By extending the radius of commuting, the urban circumference widens. More land is created, which lowers its average price while increasing its total value. To look at it another way, agricultural land is transformed to urban land, i.e., to the highest and best use. A new, less wealthy stratum of buyers can afford to buy the houses built on cheaper land. Increased sales lead to rising prices, falling mortgage standards and soon we're off to Ponzi-land. The mechanism operates at least as back as far as the development of canals in the 17th c. Holland which even then over 50% urban. In the late 1620's three concentric canals were built on the outskirts of Amsterdam igniting a huge housing boom – by 1633 prices had more than doubled; But then they crashed almost back to where they started by 1638. Future price fluctuations merely confirm the pattern – steep cyclical gyrations but a remarkably flat secular trend. [16]

After canals came the railroad, the elevated, the subway, the automobile. But displacement could also come from the simple extension of an existing technology – like Eisenhower's creation of the federal highway network that extended the suburban real estate boom of the 50's.

If we compare latest real estate boom – mid-90's to mid-2005 --to previous ones. four features stand out. (i) Where new land was made available; (ii) how it was made available; (iii) who were the consumers of new housing. (iv) And who were the agents of development.

(i) Where new land was created. Out west, the biggest real estate bubbles have been produced the old fashioned way – by the extensive mode. Stockton, California – 85 minutes drive from San Franciscans was the destination of those seeking for relief from the nation's highest housing prices. Now it has the nation's highest mortgage default rate. In in eastern and Midwestern cities, though, the new land was created to an unprecedented extent in central cities. On the outskirts of the central business districts. The intensive mode achieves the highest and best use not by changing agricultural land into urban land; but by changing urban land use from poor blacks to gentrifying blacks and whites.

(ii) How the land was made available. Through the demolition of existing housing stock rather than by creation of new land in empty exurban spaces. Particularly the demolition of public housing. Since the implementation of Hope VI by the Clinton Administration in 1993, which provided federal funds for demolition – nearly all the high rise public housing has been taken down in Chicago And many other cities. As one student of public housing demolition observes, "In large cities like Baltimore, Boston, Atlanta, Los Angeles and Seattle, and smaller cities like Tucson and Albany, one can drive through inner-city streets and find stadiums, townhomes, research centers and single-family homes standing on land where public housing once stood. "[17]

(iii) Who made the move? The displacement event usually involves movement by the white middle class; this time it was disproportionately the black middle class; the sub-prime mortgage default rate of blacks is many times the white default rate reflecting the effort to attract blacks into newly available central city locations. It was this housing where the price went up the fastest and came down the fastest.

(iv) The agents of development – not just FIRE – but huge role of non-profit developers. Especially in the development of "distressed" neighborhoods – where the role of the community development corporations is predominant. At the peak of the cycle, in 2005 when 2.2 million units were built, – non profit developers accounted for 1million. Non-profit development includes both secular and , faith based developers; foundations; universities; and hospitals. These institutions formed the political backbone of the mixed-use housing movement; after euthanasia of public housing – they shared richly in the estate of the deceased.

Let's examine now, in microcosm, how the normal process of expansion was "flipped", or inverted; the agent of the process is a new power constellation in American cities and nationally as well. Nowhere did that new power structure emerge more brutally than in Chicago. Particularly on the South Side in the district that Obama represented – where we've seen one of the biggest and meanest transformations in urban history: the destruction of historic Bronzeville; the largest demolition of public housing in American history affecting about 45,000 people –in neighborhoods where eight of the 20 poorest census tracts in the U.S. were located. [18]

If we examine the interests that Obama represents; if we look at his core financial supporters; as well as his inmost circle of advisors we'll see that they represent the primary activists in the demolition movement and the primary real estate beneficiaries of this transformation of public housing projects into condo's and townhouses: the profitable creep of the Central Business District and elite residential neighborhoods southward; and the shifting of the pile of human misery about three miles into further into the south side and the south suburbs.

Obama's political base comes primarily from Chicago FIRE – the finance,insurance and real estate industry. And the wealthiest families – the Pritzkers, the Crowns and the Levines. But it's more than just Chicago FIRE. Also within Obama's inner core of support are allies from the non-profit sector: the liberal foundations, the elite universities, the non-profit community developers and the real estate reverends who produce market rate housing with tax breaks from the city and who have been known to shout from the pulpit "give us this day our Daley, Richard Daley bread."

Aggregate them and what emerges is a constellation of interests around Obama that I call "Friendly FIRE." Fire power disguised by the camouflage of community uplift; augmented by the authority of academia; greased by billions in foundation grants; and wired to conventional FIRE by the terms of the Community Reinvestment Act of 1995.

And yet friendly FIRE is just as deadly as the conventional FIRE that comes from bankers and developers that we're used to ducking from. It's the whole condominium of interests whose advancement depends on the elimination of poor blacks from the community and their replacement by white people and -- at least temporarily – by the black middle class – who've gotten subprime mortgages – in a kind of redlining in reverse. [19]

This "friendly FIRE" analysis stands in opposition to the two main themes of the McCain attack ads. Either they try to frighten people into believing that Obama is a dangerous leftist who hangs with Bill Ayers the former Weatherperson; or they assert he's a creature of the corrupt Chicago machine.

There are a few slivers of meat floating in this beggar's broth of charges. Yes, Obama worked with Ayers, but not the Ayers who blew up buildings; but the Ayers who was able to bring down $50 million from the Walter Annenberg foundation, leveraging it to create an $120 million a non-profit organization with Obama as its head. Annenberg was billionaire friend of Ronald Reagan and Margaret Thatcher. Why would he give mega-millions to a terrorist? Perhaps because he liked Ayers new politics. Ayer's initiative grew out of the backlash against the 1985 Chicago teachers' strike; his plan promoted "the community" as a third force in education politics between the union and the city administration. Friendly FIRE wants the same kind of education reform as FIRE: the forces that brought about welfare reform have now moved onto education reform and for the same reason: crippling the power of the union will reduce teachers' salaries, which will cut real estate taxes which will raise land values. ((Ayers himself could receive nine -figure foundation money because he was seen as a "a toothless ex-radical" -and now could trade on his dad's reputation as the single most influential businessman in Chicago.[20] In the late 70's's when Chicago's biggest real estate moguls decided on an urban renewal plan to save the South Loop –from "invasion" by black people -- the man they turned to persuade Richard J. Daley, the present Mayor's dad, was Bill Ayers' dad, Thomas.))

Is Obama a minion of Richie Daley? It's true that Obama has never denounced Daley. He actually endorsed him for Mayor in 2007. Even after federal convictions of Daley's top aides. After the minority hiring scandals. And after the Hired Truck scandal which showed that the Daley machine shared its favors with The Outfit. It's also true that key Black members of the Obama inner circle are Daley Administration alumnae– but they've moved up –now they're part of Chicago FIRE. They've become players because when the Plan for Transformation –was adopted in 2000 to take down public housing and privatize redevelopment, it called for giving Blacks half of all the action. To improve their prospects , white companies hired black executives.

Like Martin Nesbitt Obama is Nesbitt's son's godfather. He's the African American chairman of the CHA. But his principle occupation is the vice presidency of the Pritzker Realty group. . Although they're not well known outside of Chicago., the Pritzker' s rank as the second or third richest family in the U.S. with about $30-40 billion. According to her company bio "Penny Sue Pritzker recruited a team that, in just two decades, grew the company to $5 billion in assets, including the Hyatt Center in downtown Chicago." Penny is finance chair of the Obama campaign. Martin is the treasurer.

Valerie Jarrett is another black real estate executive. Described as "the other side of Barack's brain," [21]she also served as finance chair during his successful 2004 U.S. Senate campaign. Jarrett was Daley's deputy chief of staff – that was her job when she hired Michelle Obama. But Jarrett doesn't work for Daley anymore. She's CEO of David Levin's Habitat –one of the largest property managers in Chicago – and the court appointed overseer of CHA projects. [22]Habitat also managed Grove Parc: the scandal ridden project in Englewood, that left Section 8 tenants, mostly refugees from demolished public housing projects without heat in the winter but inundated with rats. Grove Parc was developed by Tony Rezko who's white. And his long time partner Allison Davis who's black.

Let's look at Rezko and then Davis. It was Rezko's ability to exploit relationships with influential blacks that enabled him to become one Chicago's preeminent cockroach capitalists. Altogether, Rezko wound up developing over 1,000 apartments with state and city money. There was more to the Obama-Rezko relationship than the empty lot in Kenwood. Rezko raised over $250,000 for Obama's state senate campaign. While Obama was a state senator he wrote letters in support of Rezko's applications for development funds. But Obama ignored the plight of Rezko's tenants who complained to Obama's office.[23]

Rezko's Grove Parc partner, Allison Davis, was a witness in the Rezko trial, he's pretty radioactive too. But you could see why Rezko wanted to hook up with him. Davis was the Senior partner in Davis Miner Barnhill & Galland a small, black law firm, where Obama worked for nearly a decade. As the editor of the Harvard Law Review, Obama could have worked anywere. Why did he choose the Davis firm?

Davis had been a noted civil rights attorney and a progressive critic of the first Daley machine. But in 1980 Davis got a call from the Ford Foundation's poorly known, but immensely influential affiliate LISC – the Local Initiatives Support Corporation which had just been founded. LISC, whose present chair is Citigroup's Robert Rubin, connects small mainly minority community non-profits with big foundation grants and especially with bank loans. LISC wanted to co-opt Davis in their ghetto redevelopment program. He agreed and the Davis firm came to specialize in handling legal work for non-profit community development firms. Eventually Davis left the firm to go into partnership with Tony Rezko.

Meanwhile, Obama did legal work for the Rezko-Davis partnership. And for CDO's like Woodlawn Organization. In 1994, the LA Times reports, Obama appeared in Cook County court on behalf of Woodlawn Preservation & Investment Corp., defending it against a suit by the city, which alleged that the company failed to provide heat for low-income tenants on the South Side during the winter. [24] There were several cases of this type, but as the Times observes, Obama doesn't mention them in Dreams from My Father.[25]

In the 1960's, under the leadership of Arthur M. Brazier, Bishop of the Apostolic Church of God , Woodlawn gained a reputation as Chicago's outstanding Saul Alinsky-style community organization. Mainly, TWO battled the University of Chicago's urban renewal program. But gradually, Brazier's political direction changed. Now TWO is partnering with UC in efforts to gentrify Woodlawn. When Barack Obama left Jeremiah Wright's church, he switched to Brazier's Apostolic Church of God.

Brazier is typical of a much larger group – real estate reverends – who play the Community Development game and in the process have acquired huge real estate portfolio's. But it's really a national phenomenon. Here in New York we have Rev. Calvin Butts whose church has a subsidiary, the Abyssinian Development Corp. In partnership with LISC, the ADC now boasts a portfolio of $300 million in Harlem property alone. Rev. Floyd Flake of the Allen African Methodist Episcopal Church in Jamaica, Queens has a sizeable portfolio of commercial property too.

Chicago's disciples of development include Wilbur Daniel. He's the Pastor of Antioch Missionary Baptist Church in Englewood who really did exclaim "Give us this day our Daley bread" meaning free land and free capital for real estate development. Daniel's prayers were answered in 2001, when with Daley's help, Antioch was chosen to be the lead church in Fannie Mae's $55 billion House Chicago plan for the redevelopment of the south side.

How has Obama earned the support and allegiance of friendly FIRE? Where does he stand on the Plan for Transformation? Generally speaking, he's been careful not to leave too many footprints. If you google Obama and public housing, nothing comes up. But in 1995, a year before he ran successfully for state senate seat from south side, in Dreams from My father he wrote about his encounters with Rev. Jeremiah Wright. Obama says he was impressed he says by Wright's emphasis on the unity of the black community. But he's a little skeptical of too broad a unity; of achieving unity without conflict. He says, "Would the interest in maintaining such unity allow Reverend Wright to take a forceful stand on the latest proposals to reform public housing. (Here he's referring to Clinton's Hope VI –that provided matching federal money for the demolition of public housing. And the corresponding local initiatives which culminated in the Plan for Transformation. "And if men like Reverend Wright failed to take a stand. if churches like Trinity refused to engage with real power and risk genuine conflict, then what chance would there be in holding the larger community intact?"

Conclusion: What's the point here? "Vote for McCain/ Palin?" I'm not. Is it "Obama caused the Crash of '07?" Hardly. Rather, it's a point about power and property. Perhaps the most comforting feature of a certain commonplace radicalism is the belief that propertied elites are at fault. Implying they are in control of events. Of course there's some truth in it. The Chicago FIRE folks did create the displacement that allowed for the creation of the local real estate bubble.

But one of the most frightening features of the present meltdown is the realization of the FIRE elites' utter impotence and general cluelessness. As Emerson said," Things are in the Saddle and ride us." He meant technology. But the metaphor suits our present abject position as the objects of archaic and anarchic property relations. The American FIRE elites didn't control the tsunami of capital that washed onto our shores from Asia. Neither really did the Asians who didn't have another serious outlet for the trillions they'd earned. FIRE turned it into as much fictitious capital as possible as fast as possible, with predictable results. Given the property system, and the investment signals it gives, there wasn't a genuine alternative to the manufacturing of a giant real estate bubble. We remain students of Henry George because he directs our attention to the ultimate causes of our condition. And points the way to change we can truly believe in.

[1] Broker-dealers, hedge funds, private equity groups, structured investment vehicles and conduits, money market funds and non-bank mortgage lenders.
[2] http://english.peopledaily.com.cn/200511/15/eng20051115_221220.html
[3] As of 2007, Chinese investment – including Taiwan and Macao – exceeded a trillion dollars. With the bulk accumulated since 2001. Most is invested in Treasuries and Agency debt, i.e., Fannie Mae and Freddy Mac. See Congressional Research Service, China's Holdings of U.S. Securities, May 8,

2008. http://fas.org/sgp/crs/row/RL34314.pdf Japan's investment in the U.S. is still somewhat larger.
[4] http://ap.google.com/article/ALeqM5itQzswxi7QzOQgTSZpEYHznhE3wAD93LL6DG0
[5] http://groups.google.com/group/eesforexdevelopers/browse_thread/thread/37c25c602f728869 (McKinsey Report.) Instead of alarm at the growth of financial assets, McKinsey insisted that "With few exceptions, deeper financial markets create better access to funding for companies."
[6] Jevons, William Stanley (Nov. 14, 1878). "Commercial crises and sun-spots", Nature xix, pp. 33-37.
[7] Curiously, some of the same free marketeers, who insist on investor omniscience oppose mark-to-market accounting rules that allow investors to know the actual market prices of financial assets as opposed to what financial institutions estimate them to be worth. See Tom Frank, WSJ, tk.
[8] AT, 231
[9] Robert Shiller, Subprime,see also estimate by Rosemary Scanlon and Hope Cohen, "The High Cost of Housing," Gotham Gazette, September 2008.
http://www.gothamgazette.com/article/housing/20080916/10/2647/
[10] GT, 355.
[11] P&P, 263.
[12] Principles of Politial Economy and Taxation, p. 35. Ricardo actually says "land is not unlimited in quantity."
[13] Robert Shiller, The Subprime Solution, p. 33. See Figure 2.1. See Shiller also for housing size trends. Ibid, p. 70.

[14] RS, Piet Eicholtz and David M. Geltner, Four Centuries of Location Value: Implications for Real Estate Capital Gain in Central Places. March 2002
http://web.mit.edu/cre/research/papers/wp86eichholtz.pdf
[15] I'm using the term in a Minskyean sense of an event that disrupts market expectations.

[16] Piet Eicholtz and David M. Geltner, Four Centuries of Location Value: Implications for Real Estate Capital Gain in Central Places. March 2002
http://web.mit.edu/cre/research/papers/wp86eichholtz.pdf
[17] Sudahir Venakatesh and Isil Celilmi, "Tearing Down the Community," National Housing Institute, Shelterforce Online. http://www.nhi.org/online/issues/138/chicago.html

[18] Pam Belluck "End of a ghetto, A special report: razing the Slums to rescue the residents." New York Times, September 6, 1998.
http://query.nytimes.com/gst/fullpage.html?res=9A07E0D7173EF935A3575AC0A96E958260

[19] The provisional status of middle class blacks who stand in the way of FIRE's sweeping re-development of the southside was exposed earlier this year when residents of Lake Meadows – an 1800 apartment market rate development that was built for blacks during the first urban renewal wave of the 50's were told by the owners that In their place the developers, Draper and Kramer would build 7800 luxury apartments. At one protest meeting, a speaker characterized the proposal as "a gentrification plan." Another that it constituted "ethnic cleansing." But the demolition of the projects has made the land too valuable for its present occupants. See Alby Gallun,
"Lake Meadows residents criticize redevelopment plan," ChicagoRealestatedaily.com Feb. 20, 2008

http://www.chicagorealestatedaily.com/cgi-bin/news.pl?id=28266
[20] "A toothless ex-radical" – the description comes from a prominent Hyde Park rabbi, see NYT, 3 October 2008.
http://www.nytimes.com/2008/10/04/us/politics/04ayers.html?pagewanted=2&_r=1&ref=todayspaper
[21] http://www.huffingtonpost.com/lynn-sweet/valerie-jarrett-steps-up-_b_65350.html
[22] Jarrett's father was Robert Taylor, head of CHA, after whom a dozen of the now demolished projects were named.
[23] http://www.suntimes.com/news/politics/425305,CST-NWS-obama13.article
[24] http://articles.latimes.com/2008/apr/06/nation/na-obamalegal6
[25] Ibid.