

13 February, 2018

Michael Hudson interviewed on The Real News Network regarding the Trump privatization plan

SHARMINI PERIES: Michael, another part of the plan is what is known as value capture financing in order to raise more funds.. First of all, what is value capture financing? And what are its implications for states and communities that apply this principle?

MICHAEL HUDSON: Value capture financing is a wonderful idea. It's so wonderful, I don't know how it got into the plan. It recognizes that if you build transportation along a route, like New York City's Second Avenue Subway, that transportation is going to increase the value of land and real estate all along the route. People are going to have closer access to the subways, or to roads and railroads. Many Hollywood movies in the 1930s were all about the corruption involved in building roads up to politicians' houses.

The guiding idea is that in the future, if New York City were to do something like building the Second Avenue Subway for \$3 billion, that this would raise the rental value. It already has raised property valuations along the subway line by \$6 billion, because people now don't have to walk a mile to the overcrowded Lexington Subway.

Under Trump's plan, in order to get federal funding, cities would have to help themselves by recapturing the real estate value created by this added transportation, instead of leaving the gains in the hands of the landlords. That was what happened with the Second Avenue Subway extension, and also the West Side extension to the Javits Center. This increased real estate values all along there. Rebuilding Wall Street's luxurious subway station cost, another 3 billion.

This is the best idea of the plan, and the one thing that should be kept – which is, of course, why the Democrats don't mention it at all. They're backing the real estate and the financial interests. Rick Rybeck has written a wonderful article on this recently. There are a lot of followers of Henry George that love this aspect of the plan.

MICHAEL HUDSON: Well, to begin with, the way that Trump's plan is to be financed would triple the cost of what the engineers say, to \$22 trillion. The reason is that it's a Thatcherite privatization scheme.. Its economic philosophy reverses the last 150 years of public infrastructure in America. In fact, it's the biggest attack on industrial capitalism in over 100 years.

America's first professor of economics at the first business school – Simon Patten, at the University of Pennsylvania's Wharton School – said that public infrastructure is a fourth factor of production. But it's not like labor, land, and capital, because the role of public infrastructure is not to make a profit. It's role is to provide public services that are basic for the economy's living standards and capacity to produce, and to provide these at a subsidized rate. That's how America got rich and came to dominate the world industrial economy: by publicly subsidizing its basic costs: Low-cost roads, and low-cost other infrastructure. The government bore these costs so that public infrastructure would subsidize the economy to lower the cost of doing business.

Trump's plan would vastly increase this cost, because he forces its pricing into a highly financialized and debt-pyramided marketplace. Instead of offering roads at the cost of production, for instance, he'd actually triple their cost of production by insisting that it be privately financed, probably by hedge funds and bank credit that would add interest charges, capital gains charges, management fees and other overhead charges, not to mention the fines for financial fraud that goes with it. All this overhead would be factored into the prices that the new infrastructure would be required to charge its users.

Look at the Indiana Toll Road. That was done by a Trump-style private and public infrastructure. The tolls are so high – to try to pay off the hedge fund backers – a that people don't use them. They choose to use the free, slower roads. That's the sort of is a horror story that anyone who's thinking of Trump's plan should look at.

When Trump's plan mentions water privatization, all you have to do is look at Thatcher's water privatization in Britain. It has vastly increased the price of water. The water companies have been bought out by hedge funds, registered abroad by foreign owners who are opaque. It's become probably the most unpopular privatization plan of all. So that part's a disaster.

14 February, 2018

Comment by Mason Gaffney:

Michael,

There is part of your proposal that puzzles me. When a government (local, State, Federal, special district, or other unit) builds a road, public power plant, sewers, whatever) it still must be financed. So the (say) city issues bonds, on which it pays interest over many years: first during land acquisition and construction before the finished work goes on line, and then for many more years before (if ever) it amortizes the bonds. So how does public ownership and operation obviate interest? There is also O&M during the productive life of the infrastructure.

Muni bonds sell at a premium because their interest paid to bondholders is exempt from Federal income tax, but that just adds to the Federal subsidy on which we pay interest.

When my City issues bonds, Wall St. "advisers" appear in force to help, and not for the public interest. Local contractors, notably concrete miners working through the Chamber of Commerce, are also prominent.

States can also go bankrupt, as Calif. may if Gov. Brown gets his high-speed rail line approved, and his water tunnels under the delta. Nations can go bankrupt, as Trump's new budget is leading the way, taxing less and spending more.

On top of all the "infrastructure" there is national so-called "defense" (some say "imperialism"). Then there is Harrisburg, which managed to go bankrupt anyway.

Please relieve my puzzlement. How are your proposals doing away with interest on debt?

14 February, 2018

Michael Hudson's response to Mason Gaffney:

Simple answer: Revenue sharing, with money created by the Fed WITHOUT borrowing. Why let the banks create credit for free when the government can do the same thing for free Scott Baker has the details.

14 February, 2018

Mason Gaffney's response to Michael Hudson:

"Truth struck to earth will rise again," saith the optimist, but so alas, will Error – especially one with such specious plausibility as this one. I was hoping you had something firmer. If you like, I will post an essay purporting to show why printing-press public finance will again lead, as so often before, to national disaster.

14 February, 2018

Michael Hudson's response to Mason Gaffney:

The alternative to "printing press" finance by government is what we have now: "printing-press finance" by Wall Street banks. You've taken YOUR pick. Mine is with MMT.

15 February, 2018

Fred Harrison's comment to Michael Hudson:

You write: You've taken YOUR pick. Mine is with MMT. MMT is introduced on Wikipedia in these terms:

Modern Monetary Theory (MMT or Modern Money Theory, also known as Neo-Chartalism) is a macroeconomic theory that describes and analyses modern economies in which the national currency is fiat money, established and created by the government. The key insight of MMT is that "monetarily sovereign government is the monopoly supplier of its currency and can issue currency of any denomination in physical or non-physical forms. As such the government has an unlimited capacity to pay for the things it wishes to purchase and to fulfill promised future payments, and has an unlimited ability to provide funds to the other sectors. Thus, insolvency and bankruptcy of this government is not possible. It can always pay."[1]

My question for you is this: what are the breaks that would prevent such an arrangement turning into Weimar hyperinflation?

15 February, 2018

Michael Hudson's response to Fred Harrison:

The German hyperinflation, like all hyperinflation, stemmed from the balance of payments drain of foreign debt, NOT from a single mark of domestic credit creation.

Please read the intro to the German translation of *Super Imperialism* (Financimperialismus) on my website, or the book itself that explains this.

15 February, 2018

Fred Harrison's response to Michael Hudson:

I will review your *Super Imperialism* tonight. But your reply does not address my question. I used the Weimar experience as a metaphor for...well, hyper-inflation.

My question remains: under the MMT model, what are the breaks on an irresponsible government to prevent it from funding projects to the point where everyone suffers from hyperinflation?

15 February, 2018

Mason Gaffney commenting to Fred Harrison:

If you should find any answers in the 6 byways down which Michael sends you, please pass them on! I weary of his strategy of "solution by infinite retreat"; life is too short to get hooked into these games. He has practically told you, and me too, that he has no answers.

Meantime he keeps inventing quotes he attributes to me, so I attach my long screed on the subject. Everyone, do me the honor, please, of quoting from the attached if you are going to attribute ideas to me.

16 February, 2018

Michael Hudson's response to Fred Harrison:

I should have added that the answers to your banking and money questions are available in Steve Zarlenga's *Lost Science of Money*. He controverts the claim that gov't money is any more inflationary than private money. Also, re Josh at NEH in London, whom this list has mentioned as writing on rent, his NEH has a wonderful report from Richard Werner.

I have nothing to add to these, as there is no point in my trying to reinvent the wheel.

Real estate and finance are symbiotic parts of the FIRE sector. To be taken seriously, this must be the starting point in analyzing land prices and who gets the rent.

16 February, 2018

Fred Harrison's response to Michael Hudson:

Again, Michael, you wilfully ignore my question. I did not suggest that **gov't money is any more inflationary than private money**. Private money is not inflationary – except when it is inflationary (appalling levels achieved in the UK in the 1970s). Likewise, I daresay that government would not be inflationary – except when a reckless bunch of politicians get their hands on the controls, whereupon – **if there are no checks and balances** – there would be appalling inflation. So all I was asking was: since you advocate MMT, you must be aware of **whether such checks and balances are built into that model** – yes?

Okay, one last try: don't give me a fleshed out answer of one or two sentences that take your time... I will settle for Yes or No. If Yes, I will do the due diligence and track down the detail; if necessary, as a final resort, if (as I suspect) the literature does not supply the answer, I will drive down to Southampton to visit Richard Werner.

16 February, 2018

Michael Hudson's response to Fred Harrison:

Fred,. basically your question is whether global warming and gun violence is built into the MMT model.

That's as silly as asking about balance-of-payments deficits leading to hyperinflation. It's a trick question. I would need to be an ideological psychoanalyst to walk you through this – and to do that, I would have to nurture you through how to think of the economy as a complex inter-related system. I've tried that for 25 years with you, and have made no progress. So I'm not going to begin banging my head against a wall again.

The answer is to think of the economy as a system. You mistakenly characterize me as a neo-Marxist. There's nothing "neo" about me. I was brought up a (anti-stalinist) Marxist, MMT was developed by (anti-Stalinist) Marxists (Hyman Minsky and his followers), and I'm a professor at the School of Marxist Studies at Peking University.

I guess sometimes I call myself a "Volume II and III" Marxist, because land rent is a Marxist idea – which is sorely lacking in Henry George and his followers. In order to have a theory of economic rent, you need a theory of value and pricing, and classical political economy – which culminated in Marx – is the only approach developing a logic along these lines. Of course, economists after Marx elaborated this, such as Thorstein Veblen, Lenin, Hilferding, Luxembourg, and Marxist geographers such as David Harvey, et al. The key is to think in terms of an economic and social SYSTEM, subject to internal contractions and dialectics.

That's the appeal of Marxism. It's why it appeals to historians and philosophers as well as to economists.

It's also why I have a wide audience on Counterpunch, Naked Capitalism, RealNews, Rick Wolff, Laura Flanders, and with groups such as Democracy Collaborative, Left Forum, and the various "heterodox" groups.

Your alternative is tunnel vision and one-note sectarianism instead of looking at the economy as a social system. That's the real argument, and I can't relate global warming/balance-of-payments deficits to monetary theory without walking you through the entire system.

But this list is about land and rent. I'm glad to discuss this topic, but will limit my comments to it, in keeping with the list's basic identity.

16 February, 2018

Fred Harrison's response to Michael Hudson:

Oh dear, Michael, there you go again...redefining my question to suit the answer you want to provide.

I am sorry to say this (I do so with great reluctance), but you are rambling in a way that has become incoherent.

(1) I did NOT postulate my question in terms of balance-of-payments etc leading to hyperinflation. That appears to be a bug in your mind.

(2) I invited you to explain how....heck, there is no point in repeating the question. The point is this: my question has to be coherently answered *as if* the economy is a closed system. That's because MMT states that governments control the credit-creation system. The practicalities of a globalised trading system is a separate issue.

Now, since you chose to stress that you are a Marxist, here goes....

If you really believe that "land rent is a Marxist idea – which is sorely lacking in Henry George" – then I recommend that you hang up your professorial hat and go back to school. The reality is this: *Marx imbibed existing – standard - classical theory and historical analysis*. I must assume that you are not able to swallow this.. Well, I would be happy to fund a copy of *Henry George and Europe* for you. Read Michael Silagi's Ch.6. It has all the citations from Marx's works to confirm my statement. There can be no controversy as to what he wrote by way of chronicling the historical reality in terms of the formation of the "capitalist" system. Marx explains that the relevant events *preceded* the industrial/factory/urban system, that the formative processes were located in land relations, and motivated by the desire to privatise rents...and that the rent-seeking culture was to corrupt the industrial mode when it emerged at a later date. He even wrote that rent was *not* just the product of labour; it also resulted from the operations of nature! From your point of view, now, *that was a heretical statement by Marx!*

Marxists find it embarrassing when the page references to tracts relating to, e.g., *Critique of the Gotha Programme* are drawn to their attention. The historical puzzle (addressed by Silagi) is why Marx then switched his diagnosis and prognoses to focus attention on factory employer/employee relations, abandoning the rent issue in favour of turning the capital owner and his pursuit of "profit" into the villain of the piece. (I am

addressing his personal interventions in European history, here, not what he was writing in the British Museum, some of which surfaced after his death as Vol. 3.)

Whatever the explanation for his change of political and analytical stances (psychological or strategic), the outcome was the betrayal of the 19th century working class; an impact that sullied societies in the 20th century, as Marxists embarked on their predictably ill-fated excursions in Russia and China.

Michael, you repeatedly assert that Henry George betrayed the labour movement. In fact, it was Marx who did this; who, by dissembling, disabled the trades unions from seeking the correct policy solutions to their problems. That failure was remedied, briefly, between 1910 and 1931 – thanks to the intervention of Labour politicians who personally knew Henry George (I am thinking, in particular, of Philip Snowden). But come 1945, the Labour movement was back on the Marxist track, and their governments (in the UK) made a real mess of the opportunity they had to reconstruct the economy on sound fiscal (and therefore, consequentially, financial) foundations.

Today, the world is a dangerous place as never before. Clarity of thought is desperately needed. That clarity will not come from Marxist analysts. In fact, as I will explain in my next book, it can come from one source only: the Georgist paradigm. Meanwhile, the people of China are being XXXXed up by their Marxist politicians who claim to be practising “capitalism with socialist characteristics”. The only way to analyse and characterise the current problems in China is on the basis of the Georgist paradigm!

In the 1990s, as I saw at first-hand, Russia was screwed by neo-liberal economists who parachuted themselves in to preach “shock therapy”. Now, from what you say, China is being screwed by Marxist economists who are being parachuted in to reinforce the prejudices of their home-grown ideologues.

I had hoped that the heterodox movement post-2008 would enrich political policies and scholarly research. But as illustrated by Steve Keen’s curriculum at Kingston-upon-Thames (just up the road from where I am writing this), students of economics are invited to study every “school” of economics under the sun - except the Georgist paradigm. Closed thinking. Fits with the Marxist mould, which is why Marxism remains part of the problem, not the solution.

16 February, 2018

Michael Hudson’s response to Fred Harrison:

Dear Fred,

I’m glad you like Silagi’s book on George in Europe, and that you’ve got his major point: As you put it, “*Marx imbibed existing – standard - classical theory and historical analysis.*” That’s the point I make in all my books. As he said the historical task of industrial capitalism was to sweep away the legacy of feudalism, above all rent-seeking.

Where Marx went beyond earlier analysts was in describing the employment of wage-labor as also exploitative. That’s why he emphasized the need for labor unions as a transition to socialism. (My father was editor of a labor union paper, the Northwest

Organizer, in the 1930s for the anti-Stalinist Trotskyists in Minneapolis, where I was born.)

I especially appreciate Silagi's emphasis that followers of George were among the first groups to join the Nazis. His movement was captured there and also in the US via the Henry George School. When I would visit the homes of its teachers, they had Spotlight (the fascist newspaper) on their coffee tables, and anti-semitic books on their bookcase, as did the HGS library. But I realize that Andy Mazzone preferred Mussolini, as did the Georgists to whom Nic Tideman introduced me to in Germany, advocating Italian-style corporatism.

I guess Fred Foldvary drove a stake into the heart of George in his introduction to Vol. I of George's works that Schalkenbach published a few years ago, by turning him into an anti-labor Austrian. I think that was unfair to George. His early writings were great. Ken Wenzler had wanted me to write the intro, and I would have had good things to say about George, but the decision was to depict him in just the opposite light.

You're right, the world is more dangerous today than ever – largely by U.S. rent-seeking for oil in the Near East (the Cheney doctrine). Industrial capitalism has been lapsing back into neo-feudalism.

I wish that more followers of George would pursue this line of analysis. I can assure you that we do in Beijing at the School of Marxist Studies. We do have a problem, of course with "Socialism with Thatcherite characteristics." But that comes mainly from Shanghai. □ I guess I'm one of the Marxists that you cite as being parachuted in. (It is on a business-class ticket, I don't have to jump out in mid-air.) I think it's the only school where rent theory is taught so rigorously. At least that's the core of my own lectures. I can assure you, they "get it."

You did great work in Russia with the two or three meetings you brought me to. I wish you had been given more resources to follow up, but I fear that US neoliberalism would have buried all opposition to its corruption. If Hillary's Valery Nuland at the State Dept. could spend \$5 billion in Ukraine alone leading up to the 2014/15 Maidan massacre, what chance did more reasonable anti-rent policies have.

Steve Keen stopped teaching at Kingston. As Bryan can tell you, he certainly does understand land rent. We're often on the same platform, from EuroParliament in Brussels to Berlin, Washington, Toronto, etc. I'll be visiting him and others for a week this May on my way back from Beijing.

18 February, 2018

Fred Harrison's response to Michael Hudson:

From your email below, it appears that you have read Silagi. In which case, two puzzles emerge with the way you routinely rubbish Henry George, the Georgist model and the Georgist movement. Let's start, first, with the theory.

You have bought into the Marxist, not the Georgist, model. One reason that you offer is your claim that Henry George did not have a theory of rent. Marx's concept of surplus value apparently provides you with the apparatus you need.

Well, there are two Marx's. There is the classical (Georgist) Marx who, contrary to your Marxist position, does NOT attribute rent exclusively to labour. The Silagi paper (which

I assume you have actually read?) quotes a relevant insight from the pen of the classical Marx:

“Labor is not the source of all wealth. Nature is equally the source of commodities (which is, after all, what actual wealth consists of!) as labour, which is itself but the manifestation of a force of nature.”

And more, on which I shall not elaborate.

Allied to this problem with your notion of Marxism is their central idea that employers exploit their workers - because workers (“labour”) alone produce the “surplus value”. Well, again Silagi cites the relevant passages from the classical Marx, including:

“The capitalist at least is an independent functionary in the development of such value added and product added. But the landowner has merely to take possession, without any effort on his part, of this incremental share of the value added and product added.”

I.e., the capital-owning employer is a partner with his employees in producing the value, gross and net. The landowner (*qua* owner of land) contributes nothing to the process. But the Marxist Marx then went on to confuse the theory and steer the late 19th century labour movement in a false direction. Capital-owning employers were designated the *bête noire*, not the landowners. I have to presume (from what you say below) that your father was both a victim of this mangling of doctrines, and a disseminator of them?

Now, to come to the present. Your emphasis on the FIRE acronym, and your devotion to the concept of “financialisation”, conveys a wholly misleading impression concerning public policy priorities. You treat real estate as equivalent with the financial sector. There is no such equivalence, either chronologically, politically or analytically. (Actually, worse still, you regard the financial sector as the dominant player in this relationship.)

□ *Chronologically*, the land market was created by the rent-seekers back in the 16th century; who then went on to *invent* and *use* the money-lending institutions to facilitate their cause, the commercialisation of land.

□ *Politically*, while it is true that Wall Street financiers deploy millions to lobby in DC to support their cause, the real power over the culture of cheating (as I call it) is NOT with the 1%, or the bankers. It has been transferred from the aristocracy (whether the nobility of Europe or the Robber Barons of America) to the “hard-working middle-class homeowner” - i.e., the 60%, which includes you (if you own your home) and me. When push comes to shove, governments rely on the votes of us home-owners to keep them in power. (Note how Trump ultimately relies on his “base” for his prospects of getting re-elected.)

□ *Analytically*, power has to be traced to the flow of rents; not the institutional set-up in Wall Street or the City of London. Starve the banks of the rents (through a full and regularly up-dated Annual Ground Rent) and the financial framework

AUTOMATICALLY collapses back into a service industry to meet the needs of the value-adders.

To enforce your version of the FIRE sector, you keep claiming that financiers collect all of the rents. They do not. You and I - and the *circa* 60% home owners - collect some of the rents. Governments collect about 30-35% of the rents (ATCOR). Corporations collect a large slice of the resource rents. There are even certain professional groups (especially lawyers) who exercise power in such a way as to pocket some of a nation's net income (rent). And yes, of course, financiers pocket some of the rents via mortgages. But *they are utterly vulnerable to fiscal policy reform*. It is the combination of all of these rent-seeking constituencies that blocks the democratic discourse from incorporating an understanding of what it will take to reconfigure society on sustainable, justice-based principles.

Where does this leave your "socialism" and the Marxist Marx? Up the Swanee River without a paddle. It undermines the notion of "socialism" as derived from the 19th century - which (I presume) is why Henry George was careful not to get too hooked on this doctrine's critique of "capitalism". Capital has as much right to remain in the private domain as Labour. The Marxist Marx, and the 20th century Marxists - with whom you associate yourself - performed a terrible disservice to the working population. In principle (if not in current practise) it's left to Georgists to unscramble this doctrinal mess, along with all the other botched-up attempts at addressing society's problems.

And now, to your claim that the "**followers of George were among the first groups to join the Nazis**". That statement is what your President would call "fake news". You have repeated this slander over the years, and you need to stop it. Let's examine your technique of slander.

□ You demean people by association - a favourite device of the conspiracy theorist. In the Nazi case, you rely on claiming that Silagi provides the evidence for you. He does NOT do anything of the kind. In the 19th century the German Georgists (including Michael Flürscheim) made an impact with their advocacy of LVT. In the 1920s the Weimar constitution was even amended to include the collection of rents (but not implemented). A variety of political groups supported the idea: even, in the 1930s, one of the Chancellors who preceded Hitler, who was not a Nazi. The movement led by Damaschke into the 20th century did NOT, as you assert, "join the Nazis". (I deal with this episode of history in the book which I am currently writing.)

□ Instead of documenting your claim, you slide into anecdotes which cannot be falsified: in this case, your reminiscences about the coffee table books in the homes of teachers associated with the Henry George School in America. Can we rely on your personal observations? Take, for example, your disparaging remarks (below and in the past) about German Georgists to whom you claim you were introduced by Nic Tideman. The Georgist community in Germany numbers 5 individuals, and they have not met you. I am guessing that you were introduced to the followers of Silvio Gesell?

But they are not the Georgists of Germany. Your fast-and-loose dealing with the facts renders you an unreliable observer and commentator.

All of which is a shame.. Your work on rent/antiquity is invaluable. I shall cite it in a forthcoming publication. But if you want to be relevant to the world as it is constituted today, you really need to rethink reality; and correct the facts that you communicate to others.

19 February, 2018

Michael Hudson responding to Fred Harrison, et al.

This chart should demonstrate what Scott and I are saying.
Michael

19 February, 2018

Fred Harrison responding to Michael Hudson:

Michael: your chart demonstrates nothing – other than (1) the uncontroversial insight that rent-yielding assets are the best hedge against inflation, and (2) the 18-year business cycle (which your Minsky mates are not able to factor into their monetary models) remains on track (see my *Boom Bust*, 2005). It certainly does NOT demonstrate that most of the rents in the economy are soaked up by bankers via mortgages, which is the issue I courteously invited you to demonstrate, and which you keep ducking (obviously, because it is not true).

19 February, 2018

Michael Hudson to Fred Harrison:

Well, Fred, I had to see your reply to believe it.

We've talked about this for over 23 years, nearly every time we've gotten together.

I had refrained from responding to earlier requests for how rent was for paying interest, because I wanted everyone to commit themselves.

Then, I sent this chart. Nearly everyone outside of the Henry George group reads the news to follow how banks determine interest rates.

If you are part of a group that (1) focuses on rent and why it should be taxed, and (2) explains land prices (and distinguishes between price and cost-value), then how can people take you seriously if you can't (1) measure the magnitude of rent, and (2) explain land prices?

Why aren't Georgists the world's experts in real estate analysis and land pricing?

The answer is because of your blind spot towards finance.

I thought that my chart would show the extent to which bank credit determines land prices. What ELSE could explain it?

20 February, 2018

Ed Dodson to Fred Harrison (privately)

This is a no win exchange with Michael (and with others), Fred. I have tried on numerous occasions to explain that few banks even hold mortgage loans on their books because of the interest rate risk. It seems common sense to recognize that in the sale of real estate most of the proceeds go to the seller, if the loan has amortized or has been paid off. If not, then a good portion of the proceeds goes to whatever investor holds the mortgage. The purchaser's mortgage lender/investor is unlikely to be the same entity.

20 February, 2018

Fred Harrison to Ed Dodson (privately)

Exhausting, isn't it, Ed? One suspects that, although Hudson is not conscious of it, he is engaged in a deliberate act of causing confusion in the Georgist circles...

20 February, 2018

Scott Baker posting a chart

Perhaps this chart will help, from

Statista: <https://www.statista.com/statistics/274636/combined-sum-of-all-holders-of-mortgage-debt-outstanding-in-the-us/>

It shows that 3/4 of the 2016 GDP is in mortgage debt:

It took a slight dip during the crisis but is now back where it was before, probably higher now in 2018. It's pretty hard to see how such a debt burden is NOT a drag on the economy...unless you are a bank or banker. It's also hard to see how this level of debt could exist absent of the inflating power of the interest-collecting banks to raise land prices by essentially having land rent go to them. If people could afford such high prices without loans, they certainly would. This chart does NOT measure land values, but mortgage debt, which is inflated by interest, up to 30 years in the future. so, while the debt burden is not as bad as it seems, because it is not current, it IS much higher than it should be...eventually.

Finally, just 1/4 of this debt would be enough to fund the Federal Government every year, though clearly, not that much is being paid off annually currently. But if land prices were *lower* because land rent collection was *higher*, than more people could afford to buy, and more businesses and families could afford to start. And if we untax production at the same time...well, you already know this part.

20 February, 2018

Fred Harrison to Michael Hudson

This is my last contribution to this series of exchanges. I am aware that one of the tactics

of those who wish to defeat genuine reform is to keep genuine reformers running around in ever diminishing circles, wasting their time, so that everyone else can remain in their comfort zones...BTW: Henry George discovered that the elites knew how to smell out their real enemy in the late 19th century: they ignored Karl Marx, whose prospectus was no threat to them, and went hell-for-leather for Henry George....

And so, finally....

If people are to be liberated from two centuries' worth of mind-bending nonsense generated by ideologues from across the political spectrum (extreme Left to extreme Right), one essential approach is the reconstruction of the economic paradigm based on a granular account from first principles that are anchored in reality. You are unable to contribute to that project, because you are wedded to the Marxist paradigm, and you are determined to treat the Georgist paradigm as your foe. Now, re your graph of house prices, which you offer as sole evidence in support of the (fruitless) exchanges of the past week or two....

- Statistics are based on serious methodological flaws which have been regularly identified, but which statisticians are unwilling to address (I have an essay from one of my colleagues on this theme, which I need to publish - not that it will make the slightest difference to the statisticians and their employers).
- Indices of the kind that get most people excited are almost always constructed to serve an ideological purpose, not inform people of reality (I am currently engaged in deconstructing the wish-lists on which such data is compiled).
- Your house price graph (and the one that Scott has just circulated) proves nothing in relation to your original claim, which was the subject of my original question to you. You still assert, without evidence, that "nearly the whole of an economy's rent is captured in the form of interest received by banks" (my paraphrase).

I have never denied that banks are one of the claimants on a nation's rents. But that is not the issue. The issue relates to their share of a nation's rents. It is a SMALL PROPORTION of the total. If you should ever feel the need to "get real", scan Mason Gaffney's exhaustive list of rent-generating assets: it runs to two or more pages....

Ed Dodson devoted his professional life to working for a US financial institution whose business was mortgages. He has tried to explain the facts-of-life to you, on more than one occasion, without being able to shake your prejudices.

Georgists ARE the world's leading experts on real estate analysis and land pricing. Your saying (or implying) that they aren't, doesn't make it so. I am halfway through writing a critique of the non-Georgist "experts" who are intentionally ignorant about land/values: ideologically devoted to making sure that the non-Georgist world does not get better informed on this one area of knowledge (because of the implications for public policy). You could have contributed so much to enlighten them; but your fanatical emphasis on "financialisation" is the get-out for your readers: they skim over and conveniently ignore the land/rent dimension in favour of....what do behavioural psychologists call it? Confirmation bias.

An example of the confirmation bias is provided by your mate Steve Keen in the book you recently cited - *Debunking Economics*. He lists (p.14) the names of 13 people who anticipated "the housing crisis and recession". Your name, alongside mine, appears on the list. But notice that the "forecasts" offered by the other 12 people, including yourself, were either in 2006 (when US house prices had topped) or 2007, when the UK house price cycle hit its top. What kind of prescience was that? A dozen "forecasts" based on financial variables - and yet, by 2006, common sense was all that one needed to say that a serious economic crisis was in the air. The date of my forecast was given as 2005: I assume the author was referring to *Boom Bust*. But as I noted on p.185 of that book, my original forecast was published in 1997 in *The Chaos Makers*. That's a 10-year forecast (which I could have published at an earlier date - but let's leave it at 10 years). There is no way that the Minsky model, which purports to track financial gyrations, could offer that kind of robust prognosis of the macro-economy, for obvious reasons - when push comes to shove, High Finance is NOT the organising mechanism in the capitalist economy. It is an adjunct to that mechanism.

Contrary to what you claim, Georgists do not suffer from a "blind spot" in relation to finance. They understand full well how Wall Street and the City of London manipulate the system to capture a share of the economy's rents. But to direct primary attention at "finance" is to let the "culture of cheating" (see my *The Traumatized Society*) off the hook. Congratulations, Michael. You are no threat to the rotten system. You just make the work of the Georgist community all the more difficult....

