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## How to fix the economy, forever

By Scott Baker

It's time for a global economic reset, but not along the lines of those in power. The money is here, literally beneath our feet and in powers the government has always had. We need to demand it for the common good.

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*There is a Money Tree, but it's being guarded by private interests.*  
(Image by [darrellcreswell.wordpress.com](https://darrellcreswell.wordpress.com)) [Details](#) [DMCA](#)

Sometimes solutions to major problems can be simple. In this case, the solution to economic inequality based on rent seeking - which is the majority of it - is literally beneath our feet, in the value of land, as the political economist and best-selling journalist Henry George recognized in the late 19th century, in his famous book, *Progress and Poverty*. More on that in a bit. But first...

The Federal Reserve returns all its profits to the government minus a relatively small amount for its own operations. There was even a bill sponsored by then congressman Ron Paul to simply wipe that portion of the national debt off the books that the government owes the Fed, i.e. what the government owes itself: [Click Here](#). That was the sweet old days in 2011 when it was only \$1.6t. That amount has now gone up to \$4t, and the Fed is now the government's biggest creditor: [Click Here](#):

Do you remember life before the coronavirus epidemic? Like back in September 2019, when the [Social Security Trust Fund](#) was the largest creditor to the U.S. government?

The venerable trust fund's long reign as the biggest single lender of money to the U.S. government has come to an end, because Uncle Sam has a new sugar daddy: the U.S. Federal Reserve! Political Calculations [provides the analysis](#)

for how that has happened:

The U.S. government has gone on a borrowing binge since the global coronavirus pandemic reached the nation's shores and the number of known cases began increasing relentlessly at the end of February 2020, just over two months ago. From 26 February 2020 through 29 April 2020, the U.S. government's total public debt outstanding has increased by \$1.427 trillion, from [\\$23.427 trillion](#) to [\\$24.854 trillion](#).

That's a lot of money to borrow, and for all practical purposes, all of it was loaned to the U.S. government by its new Number One creditor, the U.S. Federal Reserve, to whom the U.S. government now owes more money than it does to its previous largest single creditor, Social Security. According to the Federal Reserve's H.4.1 statistical release for 29 April 2020, the Fed holds [\\$3.945 trillion](#) worth of U.S. Treasury securities, up from [\\$2.465 trillion](#) back on 26 February 2020, shortly before the number of known coronavirus cases in the U.S. began their rapid rise, which triggered the government actions that crashed the economy.

So, basically, we ought to reduce the debt outstanding by \$4t, but of course to do that would be to open the door to the fact that the government can, and is, producing money ex nihilo, and the banks, including the compromised Central Bank, and their supporters - and campaign donation recipients - would rather we don't know that.

And the government should immediately spend most of that into the economy as stimulus. A new Output Gap suddenly formed in the U.S. last spring, says the Financial Times, and it is growing: [Click Here](#) and see the chart from Guggenheim Investments about halfway down the article.

If you can't see the chart, that will be \$3t in 2021, as a result of the economic shutdown (which has also [plunged 8 million Americans into poverty](#)). I'm not counting the \$2t already allocated in the CARES Act because most of that went nearly uselessly into the asset markets, including into corporations who bought back stock and are now laying off people they promised not to lay off when they received the money. As the FT points out, the slump is not temporary - on the chart it extends past 2023, with no sign of going away. This is why I say that the shutdown is going to be more disastrous than anything the Corona virus will do to the collective health (oh, and America is lately looking not much worse than most of Western Europe, which is seeing a record surge in cases again).

Now, what about Henry George and Georgism, which might seem like a quaint theory from irrelevant times. It is not. [According to the Bureau of Economic Analysis](#), the value of land in just the 48 contiguous states and D.C., in 2015 - *5 full inflated years ago* - was:

Estimates suggest that this 1.89 billion acres of land are collectively worth approximately \$23 trillion in 2009 (prices as of 2015), with 24% of the land area and \$1.8 trillion of the value held by the federal government.

That's more than the current recessionary value of GDP, or roughly equal, once the government owned portion is stripped out. And that's not even including Hawaii and Alaska and numerous

territories.

On this second, Georgist, point, collecting the land rent is fair, because the value derives from the public demand for land, particularly in dense urban areas where land value is also highest. And the best way to monetize the public wealth in land is to collect the rent on it for the common good. This also has the salubrious effect of ending real estate based booms and busts - the largest and worst kind until very recently - and much or most of rent-based economic inequality (monopolies are another big source).

After collecting the rent, Georgists split on whether that money should be used to pay for government services, and/or for some sort of universal dividend. I favor the first approach, with some minimum Basic Income Guarantee from anything that is left over; that would incentivize voters to demand more efficient government, since the dividend portion would increase for them then. The overall amount can't be more than the full rental value of the land (see estimate above), but actually probably less in practice because there needs to remain some small kind of market in land in order to value it properly; otherwise, it's just based on hypothetical computer models, and that's about as reliable as epidemiological models of the spread of Corona virus - not very much.

Both of these steps would be transparent, simple enough for the public to understand, semi-automatic - with the only decision being what to spend the stimulus upon, and there can be rules for that too - and sustainable for future policy - as the output gap decreases, so would the stimulus; it was closed in 2018. Former president Obama deserves most of the credit for that, though Trump was president when it just nudged above the potential real GDP line (see FT chart, above), probably about to produce consumer inflation, and certainly producing *asset market* inflation already, before the shutdown collapsed the economy.

**Authors Website:** <http://newthinking.blogspot.com/>

### **Authors Bio:**

Scott Baker is a Managing Editor & The Economics Editor at Opednews, and a blogger for Huffington Post, Daily Kos, and Global Economic Intersection.

His anthology of updated Opednews articles "America is Not Broke" was published by Tayen Lane Publishing (March, 2015) and may be found here:

<http://www.americaisnotbroke.net/>

Scott is a former President of Common Ground-NYC (<http://commongroundnyc.org/>), a Geoist/Georgist activist group. He has written dozens of articles for Common Ground's national publication, GroundSwell, and has advocated for the Georgist Land Value Tax to public and political audiences.

A complete list of his publications can be found here:

[http://www.cooperative-individualism.org/georgists\\_unitedstates-ba-be.htm](http://www.cooperative-individualism.org/georgists_unitedstates-ba-be.htm)

He is also New York State Coordinator for the Public Banking Institute

[http://www.publicbankinginstitute.org/find\\_a\\_chapter](http://www.publicbankinginstitute.org/find_a_chapter), which seeks to promote Public Banking. The PBI is chaired by another OEN blogger, Ellen Brown.

Scott has appeared on TV/Radio and in in-person Presentations to explain the principles of Georgism, Greenbacking, and State Banking. These may also be found on his personal blog: <http://newthinking.blogspot.com/>

Scott has a dozen progressive petitions on Change.org which may be found here:

<http://chn.ge/10nUAmJ>

Scott was an I.T. Manager for a major New York university for over two decades where he earned a Certificate for Frontline Leadership.

He had a video game published in Compute! Magazine:

<http://www.atarimagazines.com/compute/issue55/dark.php>

Scott is a graduate and adjunct faculty of the Henry George School of Social Science in New York City.

Scott is a modern-day Renaissance Man with interests in economics, science and all future-forward topics.

He has been called an "adept syncretist" by Kirkus Discoveries for his novel, NeitherWorld - a two-volume opus blending Native American myth, archaeological detail, government conspiracy, with a sci-fi flair <http://amzn.to/10nUoDV>

Scott grew up in New York City and Pennsylvania. He graduated with honors and a Bachelor's degree in Psychology from Pennsylvania State University and was a member of the Psychology honor society PSI CHI.

Today he is an avid bicyclist and ride co-leader in a prominent bike advocacy organization.

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