

Trump Infrastructure Plan = Developer Welfare

By [Prof Michael Hudson](#) and [Sharmini Peries](#)

Global Research, January 25, 2017

[Real News Network](#) 24 January 2017

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

SHARMINI PERIES: It's [The Real News Network](#). I'm Sharmini Peries, coming to you from Baltimore.

While protestors and police are clashing on the inaugural parade route in Washington, D.C., the newly sworn-in President of the United States is lunching with the establishment in Washington — Some of the very people he called out in his inaugural address. Let's have a look.

DONALD TRUMP: We are transferring power from Washington, D.C. and giving it back to you, the people.

CROWD: (applause)

DONALD TRUMP: For too long a small group in our nation's capital has reaped the rewards of government while the people have borne the cost. Washington flourished but the people did not share in its wealth.

SHARMINI PERIES: On to discuss with me Trump's infrastructure plan is Michael Hudson. Michael has a new book out, "J is for Junk Economics: A Guide to Reality in the Age of Deception" (February 2017). Michael is a Distinguished Professor of Economics at the University of Missouri, Kansas City. Thanks for joining us, Michael.

MICHAEL HUDSON: Good to be here.

SHARMINI PERIES: So, Michael, that first, I think it's the third or fourth paragraph in, where he really talks about the establishment, how it benefitted Washington, I would think you would have objection to that.

MICHAEL HUDSON: Well, the establishment Trump talked about wasn't really Wall Street. He said, "When Washington got rich." Bernie Sanders would have said, "When Wall Street got rich, the country didn't." So I think when Donald Trump says "Washington," what he means is the government regulatory agencies. He's going to cut them back. And what he means is that the IRS, the tax collectors, he's going to cut them back by cutting taxes on all the Americans, meaning all of the 1% that are his Americans.

So, basically, you're seeing a cutback in government. I'm sure you will see a cutback in the CIA and the NSA that are parts of the Democratic National Committee and their Hillary supporters. So I think there is going to be a fight within the foreign policy and the national security establishment. But I think that what Trump is really doing is going to be supporting the same 1% that President Obama and George Bush were supporting.

SHARMINI PERIES: Right. And that's pretty evident with the cabinet he's lining up, as well — the richest cabinet in U.S. history. And he's actually taking from the very establishment in Washington, as well as Wall Street. So I'm sure it'll be doubled down on, in terms of the kind of establishment we're talking about.

Michael, President Trump said something very interesting about building America, and building America in his own image, I think. Let's have a look at what he had to say.

DONALD TRUMP: We will build new roads and highways and bridges and airports and tunnels and railways all across our wonderful nation. We will get our people off of welfare and back to work rebuilding our country with American hands and American labor. We will follow two simple rules: Buy American and hire American.

SHARMINI PERIES: So, Michael, what does he mean by this kind of infrastructure building?

MICHAEL HUDSON: Well, he's talked a lot about infrastructure and there are a lot of different ways of doing infrastructure. I don't think his way will be the way that it was done a hundred years ago. The whole idea of the Republican Party in the 19th century was for the government to *finance* infrastructure, and especially transportation, to lower the cost of living and doing business. But I don't think that's what Trump is going to do, because he wants to cut back government spending and he wants to cut back taxation. So what I worry about is when he says, "I'm going to build infrastructure" is that it means that he's going to create a huge trillion-dollar *market* for Wall Street's high finance.

They're going to fund infrastructure by bondholders, and through private-public partnership, rail lines and transportation lines. Who are going to be the beneficiaries of this, and who's going to pay for it all? If the government doesn't pay for it, it's going to be the bondholders and Wall Street. And the question is what is the cost of this transportation going to be, and who will be the main beneficiaries?

A hundred years ago, it was to build free roads and it was to lower the cost of living. But the reverse is happening today. Take for example the New York City subway's Second Avenue Line, which was just finished a couple of weeks ago. It calls for \$10 billion for just six stations.

The way this was funded is for the Metropolitan Transport Authority that runs the subways to borrow \$10 billion from Wall Street. It pays bondholders interest, and will meet this cost by raising subway fares for all the riders in New York. To the extent that the New York City and New York State subsidize it, they're going to raise sales taxes here, and also income taxes. So New Yorkers are going to have to pay more for the subway.

Who are the beneficiaries?

The politicians say, "Well, the people along the transport lines are going to be the beneficiaries — people who live on Second Avenue and First Avenue and York Avenue, who had to take those crowded Lexington subways." But the real beneficiaries are the landlords. The \$10 billion that's been spent on the Second Avenue subway is probably increasing their land values, the real estate values of real estate developers by from \$10 to \$20 billion.

Already, wage-earners who live on Second Avenue — the supposed beneficiaries — are complaining that they're being told their rents are going to go up by a couple of hundred

dollars a month. Now that these neighborhoods have more easy transport, that makes it more valuable. So they're worried that they can't afford to live there anymore. They worry that they will have to move to Queens, Westchester or outside of New York City.

So there's a giant windfall for the landlords, a give-away thanks to the subway that cost \$10 billion, making \$10-20 billion of "capital" (land-value) gains.

All this could have been financed by a windfall gains tax. If the subway and transportation, such as Mr. Trump wants to build throughout the United States, is going to increase the value of the rent of location for real estate landlords and developers, then there could have been a windfall gains tax. That would have captured all this \$10 billion added value from the subway, to repay the MTA, the subway authority, for the cost of building it. But that hasn't been done.

So what you have is the public paying for the 1% to benefit. That looks to me like the plan that Mr. Trump has. So when he says he wants to help all Americans, he means he wants to help all Americans in the 1% by really letting Wall Street get a huge debt from the 99% of the Americans. It's just the opposite of what people believe.

The same fight is going on in Vancouver. They're trying to spend about \$6 billion in transportation up in Canada. How are they doing it? The transportation – the bus lines and train lines – are going to increase what already is the highest priced real estate in Canada. This promises to make a bonanza for the landlords. But they're paying for this transportation by a 0.5% sales tax, that is going to cost consumers in Vancouver \$250 million a year. So, again, the users of the transportation are having to pay, not the property owners along the route. They get the gains.

I think you could call this the Thorstein Veblen Law: that whenever there is a public expenditure on infrastructure, the benefits go to the absentee owners, the landlords. Civic improvement is basically a real-estate development.

So I think Mr. Trump wants to turn the U.S. economy into the kind of real estate development that has made him so rich in New York. It will make his fellow developers rich, and it will make the banks that finance this infrastructure rich, but the people are going to have to pay for it in a much higher cost for transportation, much higher cost for all the infrastructure that he's proposing.

So I think you could call Trump's plan "public investment to create private profit". That's really his plan in a summary, it looks to me.

SHARMINI PERIES: Right. And one interesting thing with the new administration coming in, and you have pointed to this, Michael, is that at least the good news here is that we're not going to be going to war with Russia. Instead, I think we're poking our finger in the eye of the Chinese government. Give us a sense of what your thoughts are on that.

MICHAEL HUDSON: Well, there's been a whole argument in the establishment between Kissinger and Brzezinski. Both these men say, "We've got to divide and conquer. If another country tries to go its own way and be independent of America, we've got to smash it up. We've got to break up Russia and break up China."

The question is what do the neocons do first? Kissinger says that the long-term enemy is China, because they're smarter and larger. So you want to pry Russia away. You want to do

nice to Russia and tell President Putin, “Look, if you go with us, we’ll give you Ukraine, we’ll pull back NATO, but we want to pry you back towards Europe and away from China.”

Brzezinski, being Polish, hates Russia and wants to go with China. So he says, “No, no. We’ve got to continue to fight Russia and back the Hillary group within the CIA and National Security Agency.”

It looks like Trump is following the Kissinger group, trying to split up Eurasia by backing Russia. I don’t think he has a chance in succeeding in this, because Putin can say, “Look, America changes its policies so much we can’t depend upon you. Obama and Secretary Kerry have broken every agreement that they have made with us. The Clintons have broken every agreement. We can’t trust America anymore. You’ve forced us to rely on China and Iran.” And, of course, China also is supporting Iran because of its oil investments there.

So I think the Trump administration will fail to break up Eurasia – to break up the Shanghai Cooperation Organization of Russia, China and Iran. At that point I think Trump may get angry and go back to the Hillary-type confrontation that looks very dangerous.

SHARMINI PERIES: What do you make of these allegations in terms of the intelligence agencies and the proximity of Trump and some of his aides in terms of their proximity to Russia?

MICHAEL HUDSON: I think the idea of proximity to Russia is fake. It’s a smear campaign, and President Putin has already warned Trump that this is an attempt by the Deep State, by the Russia haters, to threaten a coup d’etat.

I think one of the first things that Trump is going to do to roll back government is to clear out the fakers in the CIA – the people who’ve been faking or leaking these documents against him. He’s going to move against the fake news outlets, led by the *New York Times* and the *Washington Post*. They’re pushing unsubstantiated rumors. They’re claiming that it was Russia that somehow threw the election to Trump, instead of the leaks from the Democratic National Committee being leaks, not computer hacks.

So I think Trump is going to clean out the Democratic policy neocons from the CIA and NSA. That’s a good thing. I think he feels hostile enough toward Hillary after all of this. So a house-cleaning is probably the best thing that could happen.

The problem is, we don’t know whether the people he’ll bring in will just be mirror images on the other side, so that instead of being anti-Russian they’ll be anti-Chinese and have the same kind of fake news that they give to the *New York Times* and the *Washington Post* that they’ve been giving for the last few months. There’s certainly a crisis of real news reporting, a crisis of accusations. I’ve never seen anything like it.

The original source of this article is [Real News Network](#)

Copyright © [Prof Michael Hudson](#) and [Sharmini Peries](#), [Real News Network](#), 2017

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Prof Michael Hudson](#) and [Sharmini Peries](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca