

# On Naomi Klein's Theory that Public Infrastructure will be "the Next Bubble"

*[This is a letter I sent to friends on Oct. 24, 2008 in response to an email about Naomi Klein's prediction of a new bubble forming. -S.H.]*

----- Original message -----

From: ... [A correspondent]

Naomi Klein reports that public infrastructure in privatization schemes is the next bubble for capitalism:

[http://fora.tv/2008/10/16/Naomi\\_Klein\\_Argues\\_US\\_Infrastructure\\_is\\_the\\_Next\\_Bubble](http://fora.tv/2008/10/16/Naomi_Klein_Argues_US_Infrastructure_is_the_Next_Bubble)

Interesting that she brings up an argument I hadn't thought of: that a lot of the balanced budget amendments adopted in the 1990s are going to be a driving force behind "sell-and-lease" deals and corporate sponsorships.

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**[Scott's response:]**

Hi everybody,

A while back the *Onion* ran a very funny article "Recession-Plagued Nation Demands a New Bubble to Invest In" (at: [http://www.theonion.com/content/news/recession\\_plagued\\_nation\\_demands](http://www.theonion.com/content/news/recession_plagued_nation_demands)) and I also wrote a little commentary on that article, "The Onion is More Correct than they Realize!" (at: <http://www.massline.org/PolitEcon/ScottH/OnionCorrect.htm>).

And it is true that when one bubble collapses, there is a frantic scurry on the part of financiers (and also investors) to find or create replacement bubbles. Sometimes they are able to do so: *The Economist*, referring to the collapsed "Dot.com" bubble and the new housing bubble as early as March 30, 2002, correctly stated that "To put it crudely: as one bubble burst, another started to inflate."

No doubt there is now also a *desire* on the part of investors and Wall Street to create a new bubble in privately developed U.S. infrastructure, and many other new bubbles as well, but I don't think they will be very successful. (Even if you had the money and the appropriate ideology, do *you* think this would be a good time to build a half-billion dollar toll bridge?)

The major government efforts these days are going toward stopping the continuing collapse of existing

bubbles (in housing, the stock market, in financial instruments depending on mortgages and credit card debt, and so forth). These bubbles are *still* collapsing and will continue to do so for some time. (Even bourgeois real estate economists are saying that housing prices will sink for at least another year.)

The housing bubble was (and even now still is) enormous (many trillions of dollars) compared to even the hoped for size of any new “infrastructure bubble”, and much more readily lent itself to the creation of additional speculative financial bubbles (of [CDOs](#) and [CDSs](#)) on top of it.

The stock market bubble was (and still is) also enormous as compared to any plausible new infrastructure bubble. Bloomberg news reported today that \$30 trillion in nominal stock values has been lost worldwide since the highs were reached late last year, and \$10 trillion of that loss has occurred so far just in this month! And values are still sinking.

The trouble is that it is very hard to re-inflate bubbles that have collapsed so far already, and there are no really good alternative bubbles left to replace them. So I predict that there won't turn out to be much validity at all to Naomi Klein's own prediction.

Scott