

In early July, we told our visitors to expect to hear more about the US mortgage organisations Freddie Mac and Fannie Mae. As it is turning out, there is plenty to hear as the financial disaster unfolds. In case you are wondering what these organisations are, information on the companies' own websites explains...

"FREDDIE MAC is a shareholder-owned corporation whose people are dedicated to improving the quality of life by making the American dream of decent, accessible housing a reality. We accomplish [this mission](#) by linking Main Street to Wall Street-purchasing, securitizing and investing in home mortgages, and ultimately providing homeowners and renters with lower housing costs and better access to home financing. Since our inception, Freddie Mac has achieved more than 36 consecutive years of profitability, helped more than 50 million American families achieve homeownership and financed one out of every six homes in America.

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"FANNIE MAE provides stability, liquidity, and affordability to the nation's housing finance system under all economic conditions. We are a shareholder-owned company with a public mission. We exist to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to ensure that mortgage bankers and other lenders have enough funds to lend to home buyers at low rates. Our job is to help those who house America.

"Fannie Mae was created in 1938, under President Franklin D. Roosevelt, at a time when millions of families could not become homeowners, or risked losing their homes, for lack of a consistent supply of mortgage funds across America. The government established Fannie Mae in order to expand the flow of mortgage funds in all communities, at all times, under all economic conditions, and to help lower the costs to buy a home.

"In 1968, Fannie Mae was re-chartered by Congress as a shareholder-owned company, funded solely with private capital raised from investors on Wall Street and around the world"

These organisations have always been regarded as rock-solid but now it seems that the trouble has reached them. At the root of the problem is that it never was a good idea to encourage large numbers of people to become owners of the land beneath their homes. It just ensured that the maximum number of people were exposed to the boom-bust land price cycle and the companies themselves helped to drive the cycle by directing funds literally into the ground, which did nothing to enhance the productive capacity of the US.

Had the Roosevelt government or any subsequent administration introduced LVT instead, as a replacement for other US Federal and State taxes, everyone could have afforded their homes without having to set up mortgage companies which have themselves helped to drive these boom-bust economic oscillations.

Teachers of Georgist economics used to emphasise that Land is not Wealth. It is a lesson that everyone needs to understand.