

What Could Be Better Than...

Sitting home (on standby lay-off) in the evening, sipping my...latte and reading Michael Hudson. The only thing which could probably be better for pleasuring my mind and sensibilities is to watch *Twin Peaks Season 4*, which, sadly, doesn't exist yet, I keep my fingers crossed, but that would be too good to be true. So, the next best thing: Michael Hudson on this ever relevant issue of Real Economy and Modern Monetary Theory and how shit hits the fan in his (yet another) brilliant piece at Unz. Hudson doesn't mince words and for me, and many here and not here, who have experience with "socialism" in USSR, and actually studied political economy of capitalism, Hudson's observations hit the spot immediately:

[If governments do not provide enough purchasing power by running budget deficits to enable the economy to grow, the role of providing money and credit will have to be relinquished to banks – at interest, and for purposes that the banks decide on \(mainly, loans to buy real estate, stocks and bonds\). In this respect banks are competitors with government over who will provide the economy's money and credit – and for what purposes. Banks want the government out of the way – not only regarding money creation, but also for financial and price policies, tax policy and laws governing corporate behavior. Finance wants to appropriate public monopolies, by taking payment in natural resources or basic public infrastructure when governments are, by policy rather than necessity, short of their own money, or of foreign exchange. \(In times past, this required warfare; today foreign debt is the main lever.\)](#)

Of course we all remember Holy Reagan's sacramental (yes, yes, we also heard about it in USSR): "[Government is not a solution to our problem, government is the problem.](#)" It sounded so cute, especially for people in the US who were and are very high on the American social and economic ladder and who wage day and night their existential struggle against taxes on their wealth (and we know, taxes will make them poor and will force them to actually perform productive labor--a terrifying future, GULAG really) and because of that, as Hudson notes:

To get into this position, banks need to block governments from creating their own money. The result is a conflict between private bank credit and public money creation. Public money is created for social purposes, primarily to maintain production and consumption growth. But bank credit nowadays is created largely to finance the transfer of property and financial assets – real estate, stocks and bonds.

We all know--government is bad, bad, bad in the world of big fat dividends, capital gains taxation, houses which sell for very high hundreds thousands to millions, in the world of Porsches and private jets. Government is, what we are told, there to get our guns, money, liberties and other dear to us things, and hence financial capitalism, as we are told, is the only guarantee from evil government succeeding. Ahem, but here is the problem--government wouldn't be the problem in the society where this government is controlled by all those REAL checks and balances and by sophisticated enough electorate. Or, in addition, in the society, such as Russia, which has a profound historic experience in building its state (government) in such a way that it controls crucial economic activities in order to maintain social balance in the society. Same, to a large extent applies to China

and, actually, many other Asian societies. This, in the US, is called (wrongly, of course) "communism", "socialism", Marxism and other "scary" titles all of which are designed to scare the shit from unsophisticated voter who doesn't have the time to figure out that, as an example, Cultural Marxism, has very little to do with actual Marxism and is as organic to Western Europe and the United States especially as baseball, Flag and Apple Pie. In fact, Cultural Marxism is an invention of, let's put it in simpler terms, "banks" and people behind FIRE economy to channel frustrations and economic dislocation of us, deplorable plebes, into the safe steam releasing valve of contrived, in fact totally unnatural, "values" and occupy, otherwise suspicious masses who do not live in mansions and drive Ferraris, with business of worrying about how many genders will be discovered in the next decade or how many different ethnicities and races are properly represented in the murky stream of mediocrity pouring out of Hollywood's sewer. In the end, it is so important to be inclusive and metrosexually "sophisticated".

While all this game of shadows happens, Hudson posits (and I subscribe to every word of his here--I write about it myself for years now):

*At issue is how to measure "the economy." For the wealthy One Percent, and even the Ten Percent, "the economy" is "the market," specifically the market value of the assets that they own: their real estate, stocks and bonds. This property and financial wrapping for the "real" production-and-consumption economy has steadily risen in proportion to wages and industrial profits. It has risen largely by government money and credit creation (and tax breaks for property and finance), along with its economic rent, interest and financial charges and service fees, which are counted as part of Gross Domestic Product [GDP], **as if they were actual contributions to the "real" economy.***

Music to my ears, I already wrote two, and am writing third, books wrapped around this whole thesis which dictates the real weight of strategic PREDICTORS, 90% of which are expressed in terms of tangibles: manufacturing base, machine-building, finished goods, scientific and educational prowess of the nations, not in prices for assets. But Hudson, as if thinking, that what he conveys was not making me feel good already, he delivers a blow:

Financial engineering replaces industrial engineering – along with political engineering by lobbyists seeking tax breaks, rent-extraction privileges, and government subsidy. To increase property and financial asset prices and corporate behavior, companies are drawing on credit and government subsidy not to increase their production and employment, but to bid up their stock prices by share buyback programs and high dividend payouts. Buybacks are called "repaying capital," so literally this policy is one of disinvestment, not investment. It is favored by tax laws (taxing "capital" gains at a lower rate or not at all, as compared to taxes on dividends).

Oh boy, my smile is now wider than my face and it just feels good to know that all these years, what I, and many other people, from PCR, to Hudson to first rate thinkers in Russia, were writing about is coming true in a front of our very eyes--a complete implosion of the whole "economic" theory by Chicago boys and a violent stripping down of an American so called economy to its naked, bare bones, self and it is not a pretty picture. Once the hologram (as James Kunstler aptly calls it) of grossly overpriced or useless assets, convoluted bookkeeping and snake oil trading is switched off, we suddenly are presented with American economy which

is dramatically smaller and less capable than it was assumed based on false Wall Street indices, and the economy which now can only be saved by government, if, of course, this government is capable of right decisions, which, at this stage is a huge question. After all, people in this government, in a decision circuit, are themselves the products of a hologram and many truly believe in their *laissez faire*' orthodoxy with all their hearts--because they do not know better. Even now, when US government, granted grossly incompetently, tries to prop up US economy which will never be the same. Because, economy based on "financial engineering" (aka fraud) and ran by "financial engineers" is bound to collapse. In general, just read Hudson's excellent piece. I did and enjoyed it mightily. We are not in Kansas anymore(c).