China Economic Actions: Damned if you do, Damned if you Don't

06-25-2021

Capitalism has in place both state and International organizations to regulate the inherent avariciousness of is operands so that they do not threaten the existence of the world's most successful free ride. China, being new to capitalism, and thus having much historical evidence as to forms of financial crises, has been more pro-active in pulling strings from above to keep its young capitalists from behaving like children and running into competitive traffic just to pick up an extra yuan.

Descriptions of recent measures to contain financial risks begin with terms like -- 'curb, contain, banned, forced, barred, censored' -- and all will fail because of the bourgeois notion of a moral hazard – meaning, that efforts to protect the system from the bad behavior of capitalists will encourage said protected capitalists to test the limits of risk taking. The 'concept' of moral hazard is a product of the depleted minds of capitalist economists, the term being used as an argument against full coverage health insurance – as if there will be a tendency for people to run out and get themselves cut open in needless surgery and poisoned with dangerous drugs just because it's there for the taking. But it does fit the capitalist mind in a warped way in that they are quite willing to risk the continuance of life on earth in order to maximize the profits of their enterprises.

But China's private capitalists have nothing to worry about. The Huarong bank experience in which a high level 'communist' banker engaged for many years in the most outlandish, out in the open greed, mostly in the presence of many other high party members, until the state bank he ran collapsed. Capitalists are immunized from righteousness of any sort as long as they remain capitalists. The good news is that the day after their system is overthrown they may very well be recognized as nice people.

Bubble Bursting

About every decade from 1970 the rickety old system begins to show signs of its decrepitude and the talk of insiders is that the wheezing lungs of capitalism will soon fail to sustain the illusion of health and success, and the bubble will collapse (it does not burst).

Recently, Michael Burry, the hedge fund demon featured in *The Big Short,* tweeted that" *"All hype/speculation is doing is drawing in retail before the mother of all crashes."* And that " *FOMO [Fear of Missing Out] Parabolas don't resolve sideways."*

What's happened thanks to the 'genius' of advanced algorithmic financial theory is that, instead of a healthy economic digestive system clearing its system of fecal ersatz monetary waste, the risk of a sudden big dump might trigger a world shit fest. Thus constipated capitalism may soon spread so much fertilizer around the world that it will *Miracle Grow* a revolution that will build a healthy social system tailored for healthy human life.

The Archegos mini fiasco only cost banks about $10 billion, but the five largest Wall Street banks are holding $2.66 trillion of stock, for themselves or others, many leveraged hedge funds. Bank of America is the biggest winner (or loser) holding $776.2 billion of the stuff. As of the end of 2020 JPMorgan Chase, the largest US depository bank, held $2.65 trillion in stock derivatives. Conceivably that may be regarded as a bit too much because it amounts to 63% of all such derivatives held by this country's federally insured 5,033 banks. What makes JPM-C's stock derivative holdings more exciting is that 72% are private bilateral contracts that are mostly free of federal regulations – not that the NY Fed cares much about sticking its nose in the affairs of the big NY banks that collectively own the NY Fed.

http://unrealeconomy.org