

Convergent Capitalism

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There have been three major political/economic systems in which a tiny privileged elite owned and/or controlled the means production and distribution of commodities made by the subservient productive sectors. Slave, feudal, capitalist. Ownership of the producer, to nominally free but close to a prisoner of the system, and then to free labor which under capitalism which means the producer owns his body while the capitalist will own the results of the labor power (the commodity) required to maintain it. From chattel slavery to wage slavery. Not that great an advance in terms of freedom. The only good thing about capitalism is that it will be the last of slaver systems in any form.

Capitalism is crisis ridden in the best of times. Commodities are made to be sold in an open competitive market. Prices are roughly set but ultimately the actual price will be determined at completion of sale. Obtaining that maximum price leads to shifting costs from the capitalist to the society at large – thus pollution, waste and a myriad of harmful effects on the environment and humanity. The time will come when the system enters a crisis phase that becomes impossible to exit. The ruling elite will regularly tell us it will soon arrive, or that it has arrived but just looks different than at other periods. Get used to it: the system is in permanent crisis that will end with demise of the system with or without the rest of us.

The irrational nature of the system is currently on display in different forms around the world. The US has rapidly rising inflation which is supposedly the result of an overheated economy – in other words, things are too good. Thus the Fed has been raising interest rates to cool it off. But the economy can hardly be so strong as to cause inflation when the GDP actually declined in the first quarter. The cause of inflation could be any number of things: the leavings of Covid; that many commodities formerly made in the US now must be imported. That shouldn't be a problem but the claim is that there has been shipping and storage problems. It also seems that we are not yet clear of Covid, either the disease itself, or the mental state the pandemic produced that, after two years and counting of a threat to one's existence has made millions think about an alternative to the upheavals issuing from a dying system.

The system has repeatedly revealed and imposed its defects on the masses, and what has concerned them most, it has clearly demonstrated that it hasn't a clue as to how to get things right. So the US is raising

interest rates which could very well make the economy worse. Europe is in the same situation as the US and said they will raise interest rates but hasn't done so because they are afraid it will be detrimental to an already weakened economy. And meanwhile China, which actually does have a growing economy even though it's at a rate much weaker than it has been in recent years, has cut rates out fear it's economy will join the rest of the world in a state of political and economic instability. Speaking of instability – we must factor in the war in Ukraine. The West has souped-up its belligerence in order to find new sources assets, but its goals are losing ground and will likely make things much worse for all parties involved.

Flash Crash in Europe

On Monday European markets experienced a flash crash when the OMX, Sweden's main index, briefly lost 8% of its value. If one were to guess which of our country's 'bad boy' banking systems was the cause, the name JP Morgan Chase would be the most likely, but in recent decades the bank that most fits the bill is Citigroup's (even though its current CEO is a 'girl').

Citigroup said one of its operatives working in London (its markets were closed because of a holiday) inputted an error when making a transaction which was quickly corrected, after European market losses of \$315 billion. Nasdaq, which operates the Swedish market, said that it saw no reason to cancel trades. Many investors have stop-loss arrangements on their speculations. If it falls to a certain value, it is immediately sold and then the owner is stuck with it. Not that Nasdaq cares.

Shortly before the 2008 market collapse Citigroup had off loaded billions of garbage securities from its balance sheet to SIV's (Structured Investment Vehicles) which were sold to investors as commercial paper. When the markets collapsed they were valueless, and Citigroup was contractually obliged to buy them back as a purchaser of last resort otherwise return the junk to its balance sheet - which it was forced to do causing its stock to be valued at 99 cents.

Citigroup holds the record for the most expensive bank bailout in history (so far) -- \$2.5 trillion and Fed loans, \$45 billion in capital injection by the Treasury, federal guarantees on \$300 billion of company assets, and also FDIC guarantees on \$31.5 billion on unsecured debt, commercial paper and inter-bank deposits.

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